Back-to-back glory years for Top 15 retailers: earnings triple sales again

Company	1982 Volume (000 omitted)	1983 Volume (000 omitted)	% Sales change	1982 Earnings (000 omitted)	1983 Earnings (000 omitted)	% Earnings change	Earnings % sales
1. Sears, Roebuck & Co.[1]	$18,778,800	$ 20,438,700	+ 8.8	$ 455,900	$ 654,300	+43.5	3.2
2. K mart	16,772,200	18,597,900	+10.9	261,800	492,300	+88.0	2.6
3. J. C. Penney	11,414,000	12,078,000	+ 5.8	430,000	467,000	+ 8.6	3.9
4. Federated[2]	6,423,200[2]	7,215,900[2]	+12.3	527,800[2]	683,800[2]	+29.6	9.5[2]
5. Dayton Hudson[3]	5,660,729	6,963,300	+23.0	198,368	243,187	+22.6	3.5
6. Montgomery Ward	5,584,000	6,003,000	+ 7.5	(93,000)	40,000	—	0.7
7. F. W. Woolworth[3]	5,124,000	5,456,000	+ 6.5	82,000	118,000	+43.9	2.2
8. Wal-Mart	3,376,252	4,666,909	+38.2	124,100	196,200	+58.1	4.2
9. May Dept. Stores	3,653,900	4,211,800	+15.3	141,700	187,000	+32.0	4.4
10. Associated Dry Goods	3,188,858	3,717,827	+16.6	78,414	115,520	+47.3	3.1
11. Allied Stores	3,215,634	3,675,873	+14.3	90,659	128,471	+41.7	3.5
12. Carter Hawley Hale	3,054,764	3,632,662	+18.9	49,025	67,485	+37.7	1.9
13. R. H. Macy	2,979,931	3,468,144	+16.4	135,571	186,678	+37.7	5.4
14. Melville[2]	2,623,928[2]	3,189,169[2]	+21.5	247,056[2]	313,369[2]	+26.8	9.8[2]
15. BATUS[2]	2,467,135[2]	3,145,050[2]	+27.5	186,439[2]	218,260[2]	+31.1	6.9[2]
Totals and averages	94,317,331	106,460,234	+12.9	2,895,332	4,111,570	+42.0	3.9

[1]*U.S. merchandising only* [2]*General merchandise sales and operating earnings only* [3]*Continuing operations only*
Source: *Chain Store Age* research/annual reports

Murphy, as are other companies such as Federated, is presenting stockholder proposals that would make takeovers more difficult.

Management of Woodward & Lothrop, one of the few remaining large independent department store companies, has been favorably disposed to a buyout by real estate developer A. Alfred Taubman.

Takeovers and buyouts have not monopolized the headlines. Since the beginning of the year, the industry has been treated to a series of intriguing executive moves.

Floyd Hall left his post as chairman/chief executive of Target to enter the supermarket field as head of Grand Union.

Another Dayton Hudson topsider, Wallace Kalina, abruptly resigned at Mervyn's to spend more time with his family. Carl Bennett, founder and ceo of Caldor, followed through on his pledge to vacate his office three years after selling his chain to Associated Dry Goods.

James Schoff, president of Bloomingdale's, also surprised observers with his sudden departure.

Both department and discount stores, as retail groups, rang up double-digit sales increases. The Big 3's sales improvement came in under 10%, but the group more than made up for it with a 37.1% boost in operating earnings. That was more than the 26.7% benefit brought in by department stores, but it paled by comparison to the discount tier's plus-60.2%.

Within the Top 15 retailers, several changes have transpired. No changes occurred in the first eight chains. Wal-Mart leapfrogged over May Department stores into eighth place. Associated Dry Goods, with its pickup of Loehmann's and continued growth from Caldor, edged ahead of Allied for the 10th spot. Melville and Batus, the latter reaping rewards from its Marshall Field acquisition of '82, entered the leaders as, respectively, Nos. 14 and 15, replacing Household Merchandising and Wickes.

Both department and discount stores, as retail groups, rang up double-digit sales increases.

A shift also occurred in the mix of sales for the Top 100 chains. Discounters captured 29.9% vs. 29.7% in '82, Big 3 23.2% vs. 24.8%, department stores 21.1% vs. 20.6%, soft lines specialists 5.9% vs. 8.2%, hard lines specialists 8.6% vs. 7.5%, variety stores 2.8% vs. 4.5%, catalog showrooms 2.8% vs. 2.6%, and off-price apparel stores 2.6% vs. 2.1%. □

Gains in '83; buyouts in '84

Last year was something of a comeback year for department stores, with same-store sales ahead an average of 11%. Chains strengthened the positions of their department store holdings by selling off deadwood and expanding into understored markets or rapidly growing areas.

Following on the heels of 1983's improved performance, this year looks to be one of intrachain mergers and acquisitions. In the first six months of 1984, one department store, Woodward & Lothrop in Washington, D.C., fought off one takeover bid and then acquiesced to another. Carter Hawley Hale is battling The Limited's intended takeover, and may lose its star performer, specialty chain Waldenbooks, if the takeover bid succeeds. Philadelphia-based Strawbridge & Clothier, one of the few independent chains left, tightened its defenses against a possible acquisition by Ronald Baron, who holds 1.5% of the stock. (Baron had previously tried with Woodie's.)

Emphasis will continue to be on private label brands at department stores as more and more discounters and off-price chains, as well as Sears, Penney and Ward,

gain access to national brands. One intrachain consolidation, between Dayton Hudson's Dayton's and Hudson's divisions, was arranged to give the combined divisions greater buying clout and stronger private labels.

Macy's continued to lead the flock in performance. Profits were up 37.7% on a sales gain of 16.4%, and same stores grew at a 14.5% clip. The retailer is emphasizing expansion into newer markets, southeast Florida and Texas. Meanwhile, its Macy's-California division was scooping up market share after Liberty House closed down its California stores (which Macy's bought) and Federated shuttered its six-unit Bullock's-North. Macy's also plans to enter the New Orleans market, along with Lord & Taylor, by 1986.

Quiet but solid Dillard's posted 15.3% same-store increases despite Mervyn's entry into its Texas market. It also acquired Associated Dry Goods' unprofitable Stix, Baer and Fuller stores in St. Louis to expand its horizons.

Besides divesting itself of Stix, Baer and Fuller and The Diamond, ADG consolidated its H&S Pogue division with L. S. Ayres to strengthen market share in the Midwest and to increase operating efficiencies of the divisions. ADG, too, continued to push private label. Most of its divisions carry at least 18% store brands, with Lord & Taylor presenting 30% of its mix in private label.

Most department stores achieved their best sales gains from soft lines, including private label, but Allied was an exception—best sales increases in the corporation came from hard lines. That chain will continue to concentrate on whichever offers the best profit margins in either hard or soft lines, including its tradeup program and private labels.

Another quiet achiever, Mercantile, saw established stores post record sales and earnings. The chain will continue to focus on less competitive secondary markets, where it thrives, with an emphasis on soft goods, private label and consumables.

Despite the improved outlook for department stores, the more diversified chains are pinning their hopes on more profitable specialty store or low-margin operations. Dayton Hudson's pilot off-price program last year, Plums, was shut down early in 1984, although the chain plans to launch another specialty store division this year. Federated, despite strong performances from its department store divisions, especially Abraham & Strauss and Rich's, will concentrate on more lucrative investments such as Mainstreet, its soft lines department store chain, closely modeled after Dayton Hudson's Mervyn's. □

Big 3 well armed for retail battles

The Big 3—Sears, Penney and Montgomery Ward—are retailing's equivalent of the world's super powers. And in '83, these giants, letting loose their big guns, accounted for 23.2% of the $163 billion in sales reported by the nation's Top 100 chains.

A main weapon in their arsenals has been their remodeling/repositioning strategies. New emphasis on upgraded merchandise, more exciting presentation and more logical adjacencies are all vital elements in

***Macy stores** produce the highest operating profit per gross square foot.*

Electronics chains reap biggest sales gains

Company	1982 Sales (000 omitted)	1982 Stores	1983 Sales (000 omitted)	1982 Stores	% Sales change
1. Tandy/Radio Shack	$2,032,555	6,616	$2,476,168	6,966	+ 21.7
2. Toys "R" Us	1,041,735	144	1,319,642	169	+ 26.7
3. Western Auto	546,000	227	558,000	216	+ 2.2
4. Child World	283,893	79	360,000	90	+ 26.8
5. Wards Electronics	245,900	188	359,000	87	+ 46.0
6. Herman's	275,000	95	317,000	102	+ 15.3
7. OTASCO	291,000	284	303,000	288	+ 4.1
8. Spencer Gifts	247,566	435	287,948	435	+ 16.3
9. Oshman's	247,264	180	283,238	186	+ 14.5
10. Kay Bee Toy & Hobby	183,000	361	281,100	456	+ 53.6
11. Silo	175,000	68	275,000	72	+ 57.1
12. House of Fabrics	180,155	564	230,641	662	+ 28.0
13. Lechmere	188,000	6	227,000	6	+ 20.7
14. Fabri-Centers	210,289	593	209,399	641	− 0.4
15. Lionel Leisure	210,893	56	198,233	56	− 6.0
16. Pier 1 Imports	165,300	274	186,300	246	+ 12.7
17. Pacific Stereo	NA	NA	172,000	81	NA
18. White Stores	168,000	81	160,000	81	− 4.8
19. Federated Group	89,243	15	136,234	20	+ 54.9
20. Trader Horn	40,000	7	186,000	12	+150.0
Totals[1]	6,820,793	11,651	8,268,923	12,703	+ 21.2

[1]*Excludes Pacific Stereo* — *NA-Not available*

Source: *Chain Store Age* research/annual reports

***Store-of-the-future** merchandising helped Sears boost operating earnings by 41%.*

changing consumer perceptions of these chains.

In a recent speech, Sears chairman/ceo Edward Telling stated an imperative that applies to all three: "A company must risk to grow."

In taking risks, all three companies produced positive results in '83, increasing sales and earnings. For the first time in four years, Ward reported a profit, spurring company president Stephen Pistner to speculate about the chain's eventual rebound as one of retailing's best companies.

Penney, taking perhaps the biggest risk when it decided to drop several major categories and concentrate on higher-margined soft lines, is resolutely pursuing its changeover. In '83, the company remodeled 40 stores and opened 13 new ones.

Over the next five years, the nation's No. 3 retailer plans to spend $2.5 billion for capital improvements, including reformating 40 to 60 stores each year. In '84, this program will include 34 of the chain's largest and most productive units.

Sears' much heralded "store of the future" is now operational. At year end, 12 stores had either been opened or retrofitted into the prototype. The company has announced a budget of $1.7 billion to remodel 600 stores and open 62 new units over the next five years.

By the end of '84, 107 stores, equal to one-third of the volume of full line class "A" stores, will have been remodeled.

While no exact budget is available for Ward, the chain is expected to continue annual expenditures of about $30 million for the next several years to update the stores to its Impac II mold.

Recently, Pistner announced that a new home store prototype—encompassing home furnishings and housewares—was being tested. If results are positive, Pistner says the concept could be rolled out to all stores (exclusive of Jefferson Ward) within 45 days, indicating that this once slumbering giant has finally achieved the ability to implement quick, decisive action.

In addition to remodeling, the chains are upgrading merchandise lines. While Ward is retreating from some of its less successful private labels and beefing up better branded merchandise, Penney and Sears are developing upscale private labels. Sears' Arnie and Cheryl Tiegs lines are doing well, while Penney's Halston III collection is doing better than expected. It will be expanded into men's and soft home furnishings this year.

While retailing remains the dominant business, both Penney and Sears are eying diversification.

While retailing remains the dominant business, both Penney and Sears are eying diversification. Sears is rapidly expanding its financial services through its Sears Financial Network which is a combination of Allstate, Coldwell Banker, Dean Witter and Sears Savings Bank.

Penney augmented its insurance subsidiaries with the purchase of a Delaware-based bank, giving the company the flexibility to offer additional financial products and services.

Sears also continues to experiment with specialty retailing. Its Business Systems Centers—now a 50-store chain—will expand to 100 by year's end. Sales for '83 exceeded plan by almost 50%. Another 40 stores will open in '85.

A second specialty venture, Sears Paint and Hardware Stores, opened in '83. There are currently five stores in this test program.

During the year just ended, Sears purchased majority interest in its Canadian subsidiary, Simpsons-Sears Ltd.

After one full year in operation, Sears World Trade is steadily building a worldwide network for general trade with programs designed to stimulate the flow of goods and services. □

Discounters trading up

Although "upscaling" is in danger of becoming a retailing cliche, the word still aptly describes the most powerful influence on the discount store industry in 1983. Discounters were perfectly positioned to take advantage of last year's surge in consumer spending with a mix that tended more toward soft goods, brand names and quality private label than at any other time in the short history of the industry. Moreover, the dramatic effect these adjustments had on gross margins and earnings has deepened the industry's commitment to a strategy which is reshaping this tier of retailing and forcing many to rethink traditional definitions of the word "discounter."

The success of the upscalers has wrought changes throughout discounting. As they trade up, targeting a niche just below department stores, upscale chains are creating room below them which traditional discounters are moving to fill.

K mart emerged as the nation's largest retailer of computers priced under $500 and now has a fashion coordinator to oversee its apparel presentations. T.G. & Y. has pinned its hopes on a prototype which gives more of a fashion look to apparel, cosmetics and jewelry. Even downscale Heck's favored its rural, county-seat customers with a greater selection of fashion apparel, including knock-offs of famous label activewear in '83.

All of this upgrading helped discounters increase the productivity of existing units at a time when the number of suitable new store locations remained slight. Most chains which completed ambitious expansion plans in 1983 did so primarily through acquisitions.

Woolco's 336 stores began coming on the market in early 1983 and proved a boon to several chains, including Wal-Mart, which took 30 of these stores and staked out a new market in New Orleans in the process.

Ames snapped up 42 former Kings stores, a big bite for a chain which at the time operated only 126 units, and by year-end the chain had converted most of those units to its format. Target headed West, opening former FedMart stores in California and Arizona, while Bradlees debuted in the Washington-Baltimore market with stores acquired from Memco.

As the discount store industry slowly matures, major chains continue to look to newer, more rapidly developing segments of retailing for diversification. Wal-Mart pushed into the cash and carry warehouse business and announced in November that its first unit was already profitable, while Zayre moved closer to its own entry into the field, which is rapidly becoming cluttered with independents.

Despite all of this excitement about the cash and carry business, K mart clearly displayed the most aggressive diversification program in the year. Not only did K mart increase its off-price apparel chain, Designer Depot, and purchase another restaurant chain, but the company took another step beyond

Big-city Macy trailed by small-town Mercantile, Dillard

Company	% Change sales	% Change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. return on assets	% Change compound sales '78-'83	% Change compound op. inc. '78-'83
Allied	+12.9[1]	+47.6	8.7	$13,278,485[1]	$ 92[1]	$ 8.68	12.6	+[illegible]	+14.2
Associated Dry Goods[1]	+ 7.3	+21.4	9.4	14,768,984	95	8.93	21.4	+ 8.6	+22.6
Carter Hawley Hale[1]	+17.6	– 9.6	5.0	19,219,354	107	5.29	11.6	+ 9.2	– 3.2
Dayton Hudson[1]	+ 9.9	+36.1	10.5	27,479,630	147	15.43	18.0	+ 4.8	+ 6.2
Dillards	+19.1	+28.1	11.4	12,938,702	101	11.46	21.4	+20.7	+27.9
Federated[2]	+11.1	+27.8	10.4	19,094,479	137	14.16	17.2	+ 9.5	+ 8.3
R. H. Macy	+16.4	+31.0	12.4	37,493,449	153	18.90	22.7	+13.6	+29.3
May Co.[1]	+12.6	+21.5	10.2	20,897,902	99	10.14	15.6	+ 7.3	+ 7.8
Mercantile	+13.8	+22.8	10.6	20,198,236	161	16.99	18.5	+12.0	+16.9
Composite	+12.8[1]	+26.7	9.8	19,158,654	118	11.67	17.1	+ 9.5[1]	+12.5

[1]*Dept. stores only*
[2]*Dept./specialty stores only*
Source: *Chain Store Age* research/annual reports

Sears edges out a rejuvenated Montgomery Ward

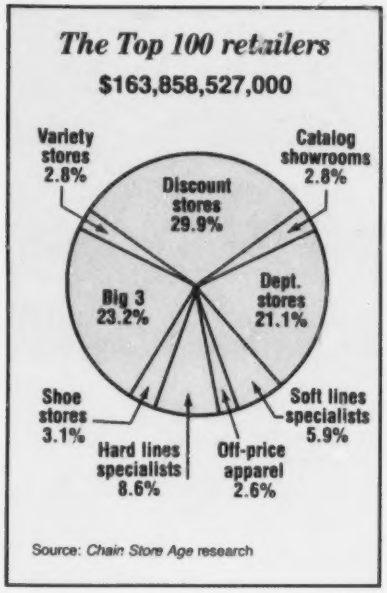
Company	% Change sales	% Change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. return on assets	% Change compound sales '78-'83	% Change compound op. inc. '78-'83
Penney	+5.8	+ 11.1	8.7	$10,233,144[3]	$ 81[2,3]	$ 8.99	14.1	+4.0	+9.3
Sears[1]	+8.8	+ 40.9	5.6	18,001,978[2]	130[2]	10.06	16.9	+2.6	–2.3
Ward	+7.5	+147.2	8.0	12,558,559[2]	84[2]	9.64	11.6	+4.2	+1.9
Composite	+7.7	+ 37.1	6.9	13,907,939[2]	103[2]	9.54	14.6	+3.3	+2.2

[1]*U.S. merchandising only* [2]*Excludes catalog sales* [3]*Metro stores only*
Source: *Chain Store Age* research/annual reports

Wal-Mart top discounter; Bradlees, Target lead upscalers

Company	% Change sales	% Change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. return on assets	% Change compound sales '78-'83	% Change compound op. inc. '78-'83
Ames	+53.6	+85.1	5.6	$ 4,258,263	$ 92	$ 4.91	16.2	+21.5	+20.3
Bradlees	+36.0	+59.4	6.8	10,152,918	117	7.93	19.2	+19.1	+26.6
Duckwall-ALCO	+46.6	+54.7	6.3	2,998,471[1]	85	7.06	18.2	+17.1	+16.5
Gold Circle/ Richway	+20.4	+66.0	4.0	12,235,802	113	4.48	10.0	+13.0	+12.7
Heck's	+ 8.9	+15.4	5.8	3,214,133	73	4.25	10.7	+14.0	+ 0.7
Jamesway	+25.3	+59.7	6.1	5,709,219	99	5.98	16.5	+15.6	+14.4
K mart	+11.3	+80.3	4.5	8,824,597[1]	135	6.07	10.3	+10.0	+ 6.2
Rose's	+25.3	+80.8	5.1	3,441,021	95	4.86	19.3	+10.6	+15.9
Target	+29.3	+17.8	5.7	16,765,591	172	9.73	14.1	+26.3	+23.6
Venture	+16.7	+45.3	5.5	16,204,082	138	7.57	12.8	+11.5	+29.4
Wal-Mart	+38.2	+47.7	7.6	7,823,821	150	11.46	21.5	+39.0	+44.3
Zayre[1]	+17.7	+65.0	4.8	7,018,989	98	4.68	14.9	+ 9.2	+18.7
Composite	+19.0	+60.2	5.3	8,268,586	127	6.82	12.9	+14.4	+14.1

[1]*Discount Stores only*
Source: *Chain Store Age* research/annual reports



general merchandise retailing when it unveiled an ambitious expansion plan for its insurance subsidiary.

Most diversification activity, however, remained in the hands of a few chains, while the remainder of the industry devoted its resources largely to new opportunities in discounting. With consumers continuing to show a preference for better quality merchandise and more attractive stores, it's likely that the upgrading efforts which so dominated the industry last year will continue through 1984. □

Specialty chains go upscale

The trend for specialty chains in 1983 and into 1984 often resembled a Monopoly game, with property trading and fast-changing strategies the main features. The driving force behind all the activity could be attributed in part to increased volatility in home computers and electronics, the success of off-price retailing and a new-found market in upscale baby-boomers.

Toy retailers in 1983 discovered that video games were the wave of the past. Cole National's Child World Children's Palace chains saw electronic volume drop with traditional toys feeling renewed vigor.

Top 100 chain stores, 1983

Rank	Company	1982 Sales (000 omitted)	1982 Stores	1983 Sales (000 omitted)	1983 Stores	% Sales change
1	Sears[1] (Chicago)	$18,778,800	831	$20,438,700	813	+ 8.8
2	K mart (Troy, Mich.)	16,772,200	2,370	18,597,900	2,547	+10.9
	• K mart	16,192,000	2,117	18,023,000	2,160	+11.3
3	J. C. Penney (N.Y.)	11,414,000	2,053	12,078,000	2,014	+ 5.8
4	Federated[2] (Cincinnati)	6,423,200	390	7,215,900	424	+12.3
	• Bloomingdale's	686,500	12	787,900	14	+15.8
	• Abraham & Straus	650,500	15	731,800	15	+12.5
	• Burdine's	582,800	23	630,300	25	+ 8.2
	• Foley's	597,500	14	625,900	15	+ 4.8
	• Gold Circle	501,300	50	590,100	17	+17.7
	• Bullock's	517,900	26	588,900	28	+13.7
	• Rich's	430,100	17	509,100	17	+18.4
	• Lazarus	389,300	17	420,400	17	+ 8.0
	• Richway	321,000	30	401,000	31	+24.7
	• Filene's	118,800	9	151,200	14	+27.3
	• The Children's Place	89,300	89	103,300	114	+49.1
	• Levy's	39,300	2	37,900	2	− 4.3
5	Dayton Hudson (Minneapolis)	5,860,729	980	6,963,300	1,075	+23.0
	• Target	2,412,400	167	3,118,400	205	+29.3
	• Mervyn's	1,350,200	92	1,688,900	109	+25.1
	• Hudson's	683,800	19	726,900	20	+ 6.5
	• Dayton's	437,300	16	514,300	16	+17.6
	• B. Dalton	374,305	662	445,100	701	+18.9
	• Lechmere	188,000	6	227,000	6	+20.7
	• Diamonds	143,000	13	159,800	12	+11.7
	• John A. Brown	86,100	6	81,800	6	− 5.2
6	Montgomery Ward (Chicago)	5,584,000	389	6,003,000	375	+ 7.5
	• Jefferson Ward[3]	525,000	50	550,000	48	+ 4.8
7	F. W. Woolworth (N.Y.)	5,124,000	5,124	5,456,000	5,276	+ 6.5
	• U.S. Woolworth	1,707,000	1,263	1,824,000	1,230	+ 6.7
8	Wal-Mart (Bentonville, Ark.)	3,376,252	541	4,666,900	646	+38.2
9	May Dept. Stores (St. Louis)	3,653,900	1,468	4,211,800	1,584	+15.3
	• Venture	680,300	47	794,000	51	+16.7
	• May California	654,540	34	725,100	34	+10.8
	• Hecht Co.	415,300	23	477,300	23	+14.9
	• Famous Barr	363,500	15	419,100	16	+15.3
	• Volume Shoe	319,000	1,279	429,400	1,389	+34.6
	• Kaufmann's	268,600	10	301,900	11	+12.4
	• May-Cleveland	189,000	7	212,400	10	+12.8
	• Meier & Frank	176,500	8	203,700	7	+15.4
	• G. Fox	152,600	10	174,100	8	+14.1
	• O'Neill's	140,100	10	155,600	10	+11.1
	• May D&F	136,100	10	148,100	11	+ 8.8
	• Strouss	100,500	9	103,600	8	+ 3.1
	• May-Cohen's	57,900	6	67,500	6	+16.6
10	Associated Dry Goods[3] (N.Y.)	3,188,858	247	3,717,827	318	+16.6
	• Caldor	925,191	79	1,100,000	95	+18.9
	• Lord and Taylor	564,000	39	630,000	40	+11.7
	• J. W. Robinson (Calif.)	415,000	21	470,000	21	+13.2
	• Loehmann's	260,000	61	290,000	67	+11.5
	• L. S. Ayers	255,000	13	275,000	18	+ 7.8
	• Sibley	164,000	14	172,000	14	+ 4.9
	• Horne	160,000	13	170,000	13	+ 6.2
	• Denver Dry Goods	115,000	12	128,000	12	+11.3
	• Hahne	104,000	8	112,000	8	+ 7.7
	• Goldwater's	91,000	9	102,000	9	+12.1
	• Robinson's (Fla.)	74,000	7	84,000	7	+13.5
	• Stewart's	68,000	7	70,000	7	+ 2.1
	• Powers	45,000	7	48,000	7	+ 6.6
11	Allied Stores[3] (N.Y.)	3,215,634	533	3,675,873	570	+14.3
	• Jordan Marsh (NE)	410,000	14	470,000	16	+14.6
	• The Bon	370,000	35	438,000	36	+18.2
	• Joske's	340,000	28	400,000	28	+17.6
	• Stern's	318,000	15	350,000	16	+12.9
	• Maas Bros.	270,000	19	300,000	19	+11.1
	• Jordan Marsh (Fla.)	240,000	14	260,000	15	+ 8.3
	• Brooks Bros.	180,000	34	210,000	38	+16.7
	• Pomeroy's	120,000	14	130,000	14	+ 8.3
	• Miller & Rhodes	110,000	22	120,000	22	+ 9.1
	• Bonwit Teller	110,000	13	125,000	14	+13.6
	• Donaldson's	100,000	9	110,000	9	+10.0
	• Garfinkel's	90,000	10	100,000	10	+11.1
	• Miller's	80,000	11	90,000	12	+12.5
	• Read's	70,000	5	75,000	6	+ 7.1
	• Block's	70,000	9	75,000	9	+ 7.1
12	Carter Hawley Hale[3] (L.A.)	3,054,764	1,026	3,632,662	1,085	+18.9
	• Broadway So. California	720,000	40	815,000	40	+13.2
	• Emporium Capwell	482,000	21	570,000	21	+18.2
	• Neiman-Marcus	420,063	18	510,000	20	+21.4
	• John Wanamaker's	355,000	16	415,000	16	+16.9
	• Waldenbooks	345,000	807	407,000	843	+18.0
	• Weinstock's	180,000	12	215,000	12	+19.4
	• Thalheimer	179,000	25	220,000	26	+22.9
	• Holt Renfrew	165,000	17	180,000	17	+ 9.1
	• Broadway Southwest	129,000	10	145,000	10	+29.8

Responding to the shakeout in low-end home computers, Cole will aggressively pursue software sales in 1984 and pull back from hardware.

While Toys "R" Us tracked electronics sales at 17% of 1983 volume, a decrease of only 1% from the year before, expansion plans for 1984 include increasing its Kids "R" Us children's apparel chain to eight to 10 units by year's end.

Among the computer specialists, Best Products recently sold its six-unit Data Base computer store chain to On Line Microcenters. Service Merchandise has expressed dissatisfaction with its eight-unit Computer Shoppe venture. In the microcomputer marketplace, Tandy's Radio Shack continues to lose market share while increasing unit sales.

The big action was reserved for off-price retailing, and if it happened to attract upscale baby-boomers, all the better. Lionel, poised to re-emerge from Chapter 11, tested sharply priced children's apparel in 12 Philadelphia stores and harbors plans for more. Retailer heavyweight K mart opened 29 Designer Depot off-price apparel units, and more are on the boards for '84.

In November, K mart entered the fast growing off-price housewares competition with a Birmingham, Mich., Accents prototype. U.S. Shoe converted the recently purchased Merchant's Linen Warehouse into The Home Front, and added housewares to its Front Row apparel units. Cleveland, Ohio-based Fabri-Centers plans to open its first off-price housewares store in the fall. Jeans retailer The Gap acquired 13 Pottery Barns in the New York Metropolitan Area.

The brisk activity in upscale discounting has not escaped the attention of Dayton Hudson, which has turned out a new Lechmere prototype and may soon venture out of its New England base. The Minneapolis-based retailer will also expand its successful specialty store division with yet another entry into the discount housewares fray.

Overall, industry insiders predict 1984 should see a continuing trend toward off-price specialty merchan-

Top 100 chain stores, 1983

Rank	Company	1982 Sales (000 omitted)	1982 Stores	1983 Sales (000 omitted)	1983 Stores	% Sales change
13	R. H. Macy[3] (N.Y.)	$2,979,931	92	$3,468,144	93	+16.4
	• Bambergers	900,000	23	1,055,000	23	+17.2
	• Macy's New York	900,000	16	1,045,000	17	+16.1
	• Macy's California	750,000	21	880,000	22	+17.3
	• Davison's	225,000	13	270,000	13	+20.0
	• Macy's Midwest	200,000	19	215,000	18	+ 7.5
14	Melville (Harrison, N.Y.)	2,623,928	5,016	3,169,036	5,234	+20.8
15	BATUS[2,3] (Louisville)	2,467,135	178	3,145,058	196	+27.5
	• Saks	740,000	34	836,000	38	+13.0
	• Marshall Field	618,000	20	675,000	21	+ 9.2
	• Gimbels-East	417,000	20	476,000	20	+12.7
	• Frederick & Nelson	200,000	15	228,000	15	+14.0
	• Kohl's	140,000	22	211,000	31	+50.7
	• Gimbels-Milwaukee	184,000	11	200,000	11	+ 8.7
	• Gimbels-Pittsburgh	148,000	7	160,000	7	+ 8.1
16	Zayre (Framingham, Mass.)	2,139,616	617	2,613,667	753	+22.2
	• Zayre	1,615,999	267	1,902,146	275	+17.7
	• Hit or Miss/T. J. Maxx	190,000	264	267,000	356	+40.5
17	Tandy Corp. (Fort Worth)	2,032,555	6,518	2,475,188	6,868	+21.8
18	Wickes (San Diego)	2,638,215	N/A	2,875,085	2,800	+ 9.0
19	Household Merchandising (Chicago)	2,926,900	3,768	2,872,000	3,664	- 1.9
	• T.G. & Y.	2,121,100	901	2,057,467	812	- 3.0
	• Ben Franklin	825,000	1,679	859,000	1,685	+ 4.1
20	Best Products (Richmond, Va.)	1,581,650	202	2,081,328	218	+31.5
21	Lucky[2] (Dublin, Calif.)	2,054,100	1,029	1,992,700	1,062	- 3.0
	• Gemco[2]	1,361,000	80	1,286,000	76	- 5.9
22	McCrory Corp. (N.Y.)	1,741,000	1,792	1,828,000	1,800	+ 4.9
	• McCrory	760,000	718	818,000	716	+ 7.6
	• Lerner	682,000	790	699,000	796	+ 2.5
	• OTASCO	291,000	284	303,000	288	+ 4.1
23	Belk	1,495,000	360	1,650,000	350	+10.4
24	Mercantile[3] (N.Y.)	1,428,385	85	1,625,958	86	+13.8
	• Gayfers	250,000	12	285,000	12	+14.0
	• McAlpin's	240,000	9	270,000	9	+12.5
	• Jones	150,000	7	170,000	7	+13.3
	• Castner Knott	140,000	10	160,000	10	+14.3
	• Joslins	125,000	8	145,000	9	+16.0
	• Gayfers/Montgomery Fair	115,000	6	130,000	6	+13.0
	• JB White	100,000	6	112,000	7	+12.0
	• Bacon's	95,000	6	105,000	6	+10.5
	• Lion	80,000	3	90,000	3	+12.5
25	W. R. Grace (N.Y.)	1,325,000	613	1,547,000	568	+16.8
26	Service Merchandise (Nashville)	1,195,283	139	1,458,998	173	+22.0
27	Brown Group (St. Louis)	1,248,033	2,531	1,354,780	2,987	+ 8.7
28	Toys "R" Us (Rochelle Park, N.J.)	1,041,735	144	1,319,642	178	+26.7
29	SCOA (Hills) (Canton, Mass.)	1,155,051	811	1,304,579	874	+13.0
30	Fred Meyer (Portland)	1,065,000	68	1,214,638	68	+14.0
31	Bradlees (Braintree, Mass.)	871,636	106	1,182,815	127	+35.7
32	The Limited (Columbus)	721,394	825	1,085,890	937	+50.5
33	Edison Bros. (St. Louis)	915,960	2,114	1,021,500	2,175	+11.5
34	Meijer (Grand Rapids)	885,000	50	990,000	58	+11.9
35	U.S. Shoe Corp. (Cincinnati)	767,648	2,630	971,621	2,704	+26.6
36	G. C. Murphy (McKeesport, Pa.)	822,282	422	872,151	403	+ 7.1
37	Dillard's (Little Rock)	711,323	65	847,485	66	+19.1
38	Rose's (Henderson, N.C.)	861,963	237	829,286	193	+26.3
39	Nordstrom's (Seattle)	612,944	36	787,894	36	+28.5
40	INTERCO (St. Louis)	685,700	847	693,900	551	+ 1.2
41	Super Valu[2] (Green Bay)	581,500	291	676,521	308	+16.3
	• Shopco	309,500	36	481,485	39	+23.6
	• County Seat	192,000	255	195,116	269	+ 1.6
42	Ames (Rocky Hill, Conn.)	422,806	136	647,256	168	+53.1
43	Petrie (Secaucus, N.J.)	566,682	871	625,575	966	+10.3
44	Cole National (Cleveland)	500,319	1,700	617,256	1,698	+23.4
45	Western Auto (St. Louis)	546,000	227	558,000	216	+ 2.2
46	Cook's United (Maple Hts., Ohio)	580,954	116	555,465	53	- 4.4
47	Strawbridge & Clothier (Philadelphia)	471,900	30	545,490	30	+15.6
	• Clover[3]	183,000	17	215,000	18	+17.5
48	Hartmarx (Chicago)	456,000	348	536,000	400	+17.9
49	H. J. Wilson (Baton Rouge)	458,178	75	514,466	72	+12.3
50	Alexander's (N.Y.)	506,791	16	511,330	15	+ 0.9

dising, with retailers keeping a hungry eye on both the baby-boomer's pocketbook and his desire for upscale merchandise.

The only potential downtrend, according to one retailer, is in computer specialty stores. "As computers move toward becoming a mature product category," he says, "there will be a shakeout of the less experienced retailers, and the business will be left to the traditionally talented merchandiser." □

Commitment keys variety store gains

For those committed to the variety store, 1983 was a good year. Woolworth, the largest chain with 1,230 domestic units, benefited from a full year of commitment as the only general merchandise chain in the corporate portfolio of F. W. Woolworth. With the demise of Woolco in late 1982, topsiders devoted time, energy and money to new concepts for the variety units.

They paid off with an 18.2% earnings increase generated by just a 6.7% sales boost. The chain devised prototypes for its diversified store sizes and began a department by department planogram process.

McCrory continued its opportunistic growth pattern by picking up 12 Rasco stores last year and 17 Neisner stores this year. Sales increased 7.6% while operating income skyrocketed by 56.6%.

At T.G. & Y., G. C. Murphy, Duckwall-ALCO and K mart, however, variety stores have been relegated to attrition status. When leases come due more often than not the stores have been shuttered. T.G. & Y. closed nearly 90 stores last year. Murphy's variety stores slipped in sales 0.1%. At Rose's, all but two of the chain's 55 variety stores were sold to Variety Wholesalers.

Two quasi-variety-discount chains turned in some of the best gains of '83. Family Dollar rang up a 47% increase in net income on 27.5% higher sales, while Dollar General's 33.5% profit gain came from a 19.5% sales jump. □

Top 100 chain stores, 1983

Rank	Company	1982 Sales (000 omitted)	1982 Stores	1983 Sales (000 omitted)	1983 Stores	% Sales change
51	Pay 'n Save (Seattle)	$ 444,512	80	$ 922,432	85	13.9
52	Fedco (Santa Fe Springs, Calif.)	402,236	8	500,000	8	+24.3
53	The Gap (San Bruno, Calif.)	444,929	545	480,515	550	+ 8.0
54	Heck's (Charleston, W. Va.)	395,283	96	435,050	122	+ 8.9
55	General Mills (Minneapolis)	429,100	241	430,000	222	+ 0.2
56	Jamesway (Secaucus, N.J.)	332,513	68	416,773	78	+25.3
57	Pamida (Omaha)	360,000	166	406,000	164	+16.8
58	Woodward & Lothrop (Washington, D.C.)	357,539	16	403,901	16	+12.9
59	C. R. Anthony Co. (Oklahoma City)	396,000	296	396,000	289	N/C
60	Consumers Distrib.[1] (Edison, N.J.)	309,813	N/A	368,961	134	+19.6
61	Dollar General (Scottsville, Ky.)	290,000	883	346,655	1,184	+19.5
62	Carson Pirie Scott (Chicago)	323,414	24	343,000	24	+ 6.0
63	Brooks Fashion (N.Y.)	211,540	500	336,326	616	+59.0
64	Time Square (Brooklyn)	301,000	21	328,000	20	+ 8.9
65	Zody's (L.A.)	332,000	50	321,000	41	- 9.6
66	Duckwall-ALCO (Abilene, Kan.)	216,283	114	317,065	160	+46.6
67	Schottenstein Stores (Columbus)	273,995	26	316,941	31	+15.7
68	Liberty House (Hawaii)	318,264	65	303,716	58	- 2.1
69	Elder-Beerman (Dayton)	267,228	197	299,228	206	+10.3
70	Spencer Gifts (Pleasantville, N.J.)	247,506	435	297,948	435	+16.3
71	Oshman's (Houston)	247,264	180	283,238	186	+14.5
72	SE Nichols (N.Y.)	262,000	42	282,000	42	+ 7.9
73	Family Dollar (Charlotte, N.C.)	207,419	529	264,440	635	+27.5
74	Prange (Prangeway) (Green Bay)	221,840	64	255,000	72	+14.9
75	Hess's (Allentown, Pa.)	215,000	29	253,885	29	+18.1
76	D. H. Holmes (New Orleans)	240,716	29	253,844	37	+ 5.4
77	Glosser Bros. (Gee Bee) (Johnstown, Pa.)	223,752	51	252,880	37	+13.0
78	Higbee (Cleveland)	215,193	12	245,582	11	+14.1
79	Charming Shoppes (Bensalem, Pa.)	174,272	298	238,259	366	+36.8
80	Miller Wohl (Secaucus, N.J.)	222,375	310	236,764	350	+ 6.5
81	B. Altman (N.Y.)[3]	210,000	6	235,000	6	+11.9
82	Pic 'N' Save (L.A.)	177,738	80	227,130	85	+27.8
83	Grand Central (Salt Lake City)	256,000	32	223,841	30	-12.6
84	Burlington Coat (Burlington, N.J.)	136,617	31	220,300	42	+68.8
85	Fisher's Big Wheel (New Castle, Pa.)	193,000	69	215,000	70	+11.4
86	Jacobson Stores (Jackson, Mich.)	189,277	18	213,048	19	+12.6
87	Bi-mart (Eugene, Ore.)	186,831	30	207,180	33	+10.9
88	Bergners (Peoria, Ill.)	182,000	25	205,000	25	+12.6
89	Ann and Hope (Cumberland, R.I.)	185,000	5	205,000	6	+10.8
90	Lionel Leisure (Philadelphia)	216,893	56	198,233	56	+ 8.4
91	The Price Company[2] (San Diego)	114,258	7	198,196	11	+73.5
92	Jewelcor (Wilkes-Barre, Pa.)	189,000	25	195,000	24	+ 3.2
93	Howland-Steinbach, Hochschild Kohn (Woodbridge, N.J.)	185,000	38	193,000	37	+ 4.3
94	J. Byron's (Miami)	169,400	43	187,900	48	+11.6
95	Pier 1 Imports (Fort Worth)	165,300	274	186,300	246	+12.7
96	Boscov's (Reading, Pa.)	165,000	9	186,000	10	+12.7
97	Godchaux/Maison Blanche (Baton Rouge)	155,000	6	182,100	6	+16.9
98	Wieboldt Stores (Chicago)	179,130	14	181,484	13	+12.5
99	Syms (N.Y.)	147,181	11	179,231	11	+21.8
100	Younkers (Des Moines)	166,638	29	178,000	29	+ 7.4
	Totals	$144,589,991	59,204	$163,838,527	65,146	+13.3

Divisional totals are not duplicated in the tabulation of United States general merchandise chain totals. [1]U.S. only. [2]General merchandise sales only. [3]Divisional sales estimated.

Source: *Chain Store Age* research/annual reports

Sears advances with stores of the future

The impact of Sears' *remodeling programs has carried over into 1984.*

For Sears, the store-of-the-future program is producing positive results in the present. Domestic sales topped the $20 billion mark for the first time while net income reached an all-time high of $654 million from United States operations. When combining foreign retailing and domestic credit results, Sears' sales totaled $25.1 billion and produced a net income of $781 million.

The impact of the chain's remerchandising and remodeling programs has carried over into 1984. During the first quarter, earnings increased about sevenfold over '83.

Home appliances (which have had significant sales increases for more than 18 months), coupled with home fashions from the Open Home program and men's apparel led by the Arnie and Boston Athletic Club collection, produced some of the best sales performances.

The nation's largest retailer continues to rely on self-developed brands for the most important part of its growth, though it has markedly added to its mix national brands such as Levi's, AT&T and Wilson sporting goods, in areas where a brand commands a large market share.

It is in the store of the future that the Chicago-based company's plans are most excitingly displayed. At the end of last year, Sears had built from scratch seven stores of the future and remodeled five out of its 813 units. The company will accelerate the transformation of its store fleet this year, opening up 14 new stores and renovating 85 stores. By 1989, Sears expects to have 674 of its largest stores converted to the new format. Sears had 112.5 million gross square feet at year's end.

Aside from merchandising, operational improvements have been added to the system. Price look-up systems were in 479 stores at year end and there are plans for 225 more stores to be placed on line in '84. The stores represent 98% of Sears' retail volume.

Checkout time has been cut in half to an average 90 seconds, while express package pickup is spreading throughout the chain.

Sears continues to experiment with its five-store paint and hardware store test. At the same time, it is rapidly expanding its Business Systems Centers to 100 by year's end and plans another 40 in '85.

Margins improve with future stores

Aside from pumping up sales, the store of the future program is having a positive effect on gross margins. They increased 0.6% to 34.3%. Combined with a similar 0.6% reduction to 28.6% for selling and administrative expenses ratio to sales, Sears ended the year with a 40.9% increase in operating income.

The percentage of merchandise sold directly through the store has gone up steadily in the last three years. It hit 72.4% last year, a full 1.1% higher than '83. Catalog merchandise sales have declined from 19.9% in '81 to 18.1% last year. To pump up the catalog, Sears has revamped its big books, trying to give them some of the excitement of the stores of the future concepts.

Credit operations, which two years ago lost $83 million, earned $144 million last year, while foreign ventures posted their second straight loss, adding $17 million to a $42 million shortfall in '82. Sears is gradually removing itself from Central and South American operations while increasing its Canadian holdings.

Year	Sales[1] ($000 omitted)	Profits[1] ($000 omitted)	Stores[2]
1979	$16,613,000	$362,100	849
1980	16,631,000	210,500	864
1981	18,220,000	382,300	861
1982	18,770,000	456,900	831
[illegible]	[illegible]	[illegible]	[illegible]
'79-'83 change	+21.6%	+5.1%	−36 (−4.2%)

[1]Fiscal year ended Dec. 31, 1983.
[2]U.S. Merchandising only.
Source: CSA research

Department program boosts net sharply

***K mart will accelerate** its program to upgrade merchandise mix.*

For K mart 1983 may well be remembered as a pivotal year, a turning point in the evolution of the nation's largest discount chain.

Almost all key financial indicators improved sharply, including net income, which jumped 88% to $492.3 million on sales of $18.6 billion. Gross margins improved a full point to 27.7% as K mart succeeded in getting its customers to trade up in key fashion categories. The chain's cost-control efforts, aided by an improved information network and better ordering systems, also bore fruit in the form of a decline in SG&A to 23.1% of sales.

As the success of many new sets it was testing became apparent, K mart rushed to install these departments in existing stores. In all K mart redid some 2,100 departments, adding 715 home electronics centers, 502 Kitchen Korners, 91 domestic centers and 50 brass gift departments. Toward the end of the year K mart also debuted a prototype that pulls together these and other new programs.

K mart's focus has clearly shifted away from opening new stores and toward increasing the productivity of existing units. The chain will debut only 30-35 stores this year, about half of last year's total of 70 new stores. But 126 construction teams will work through the year to remake many existing stores. By year end some 200 units will have been converted to the new prototype, and hundreds of others will have received at least some of the new department presentations.

K mart also intensified its diversification efforts and already plans to rapidly expand some of its major new endeavors. Designer Depot, the chain of off-price apparel stores, grew to 29 units by year end, and another 30 are planned this year.

Restaurants are becoming a significant part of K mart's portfolio. The company increased its restaurant holdings this year with the purchase of Bishop Buffets, a chain of 30 cafeterias headquartered in Cedar Rapids, Iowa. Furr's Cafeterias, another subsidiary of K mart, added 20 units and closed the fiscal year with 117 restaurants.

Shortly after the year ended K mart tried to purchase Associated Hosts, a restaurant chain, and although the deal fell through it demonstrated K mart's commitment to expand into the dining-away-from-home market.

That K mart is intent on rapidly expanding its retail holdings is evident from several other abortive ventures. In late April, K mart and Hechinger terminated a joint effort to open warehouse home center stores because of what were described as difficulties in blending the operations of the two retailers. At about the same time, K mart denied that it had reached an agreement to purchase Waldenbooks from Carter Hawley Hale, although K mart chairman Bernard Fauber admitted considering the chain of book stores as an acquisition.

K mart's challenge in 1984 will clearly be to build on top of last year's impressive figures. Although year-to-year comparisons will be difficult, chairman Bernard Fauber believes the merchandising programs will meet the challenge. □

Meldisco performance hikes equity income

Income K mart received from companies in which it has an equity interest increased 7% to $62.5 million in 1983.

K mart Insurance Services boosted revenues 18% to $112.9 million. However, costs associated with the company's rapid expansion of in-store financial services held down earnings. K mart's equity in the income of insurance operations rose just 4.1% to $5.1 million.

The big contributor to growth in equity income was Meldisco, a subsidiary of Melville Corp. K mart owns a 49% interest in Meldisco, which operates licensed shoe departments in K mart stores. Equity in income from Meldisco rose 21.2% to $40 million for K mart.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$12,731,000	$358,000	2,069
1980	14,204,000	261,000	2,242
1981	16,527,000	220,300	2,374
1982	16,772,000	261,000	2,370
[illegible]	[illegible]	[illegible]	[illegible]
'79-'83 change	+46.1%	+37.5%	+282 (+14.1%)

*Fiscal year ended Jan. 25, 1984.
Source: CSA research

Changes in the method of translating foreign currency to United States dollars helped reduce the contribution of G. J. Coles & Coy, an Australian retailer, to K mart's balance sheet. K mart's equity in income from Coles declined 25% to 17.2 million, although net income at Coles rose 4.2% to $73 million.

Fashionability is the key at No. 3

J. C. Penney, on a fast track to becoming the Bloomingdale's of middle America, increased its gross margin to 33.3% during 1983, the highest level in five years. The more fashion-forward, soft-lines-oriented merchandise mix (including upgraded private labels like Halston III and Lee Wright) contributed to an 8.6% increase in profits from continuing operations to $467 million on a sales gain of just 5.8% to $12.1 billion.

In '84, Penney is moving to consolidate its gains with a Salute to Italy promotion and a new employee bonus program geared to sales and profits.

During '83, Penney continued its opportunistic course of repositioning its stores (and closing less profitable units), spending $276 million on modernizing existing stores including 40 larger regional mall units. These 40 stores pulled down a 15% year-to-year sales increase in December, the first full month after all construction was completed. In addition, the four stores modernized in '82 reported sales increases of 18% for the year just ended.

Another 34 high-volume stores will undergo the facelift in '84. In fact, from '84 to '88, Penney will spend $1.5 billion to reformat 40-60 metropolitan units each year.

Metropolitan stores with 13 additional units increased sales 8.1% to $8.2 billion during '83, also boosting sales per net square foot to $176. While soft lines stores showed a sales decline of 6.4% to $834 million, the group closed 34 stores during '83 yet managed to increase sales per net square foot to $163 from $155.

Penney's geographic stores produced a sales increase of 7.1% to $1.5 billion, while catalog centers contributed $1.8 billion, a 7.6% increase.

This year the company plans to take a giant leap toward fashion respectability when it debuts its Salute to Italy in mid-September. The promotion, usually associated with trendy, upscale stores, will feature apparel and home furnishings at a more fashionable taste level and with higher price points.

A national advertising budget of $10 million has been earmarked for the promotion. Penney chairman William Howell, already very optimistic about the success of the promotion, says, "The company is looking forward to the development of another major national event during '85 to carry forward the momentum." □

***Penney's concentration** on fashion helped boost profits.*

Analysts upbeat on Penney bonus plan

Year	Sales (000 omitted)	Profits[1] (000 omitted)	Stores
1979	$10,352,000	$270,000	2,111
1980	10,824,000	283,000	2,119
1981	11,369,000	393,000	2,077
1982	11,414,000	430,000	2,046
1983[2]	12,078,000	457,000	2,014
'79-'83 change	+16.7%	+73.0%	−97% (−4.6%)

[1]From continuing operations.
[2]Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

A new employee bonus program tied to sales and profits has analysts confident of substantial sales increases during '84 for the nation's No. 3 retailer.

Instituted in February, the bonus plan has two parts. Sales personnel earn bonuses based on departmental sales increases; store managers and merchandise managers are on an incentive program based on increases in gross margin dollars.

A bonus program in the late 1970's based solely on sales increases left Penney in an overinventoried position. The new program, with the tie-in to gross margin dollars, is expected to keep stock levels in line. Gross profit alone is not enough, financial planners emphasize.

Penney's bonus program is part of its plan to compete more directly with department stores by using customer service to set it apart. Sales help is encouraged to approach shoppers and be helpful. A Penney internal publication notes that the eight ugliest words a customer can hear are "If it's not out [on the sales floor], we don't have it."

With the emphasis on giving customers what they want, however, store managers and floor personnel may be working at cross-purposes under the new bonus plan. While managers are encouraged to keep inventory levels low, sales personnel may be motivated to ask merchandisers to order items shoppers have asked for so that they can increase departmental sales.

Dept. stores lead Federated to record '83

Federated Department Stores slashed spending and capitalized on the improving economy in many of its major markets to boost earnings impressively in 1983 after a decline in profits the previous year. Net income for the company rose 33.9% to $311.7 million. Sales increased 12.9% to $8.69 billion.

One key to Federated's return to growth was a strong performance by its department and specialty stores, which alone recorded greater operating profits than the entire company registered in 1982. Sales for the department and specialty stores rose to $6.22 billion, while earnings increased to $644.3 million. The profits-to-sales ratio of these stores, which account for 89% of Federated's earnings, rose to 10.3%. Federated was able to craft that kind of ratio because of strong performances in several divisions, including Abraham & Straus and Rich's. Sales were reported sluggish in several of the company's Southeastern and Midwestern divisions, however.

Federated's mass merchandise group, which consists of the Richway and Gold Circle chains, boosted its sales 20.5%. Operating earnings for the mass merchandisers grew to $39 million from about $24 million in 1982. That 62.5% gain helped the group increase its profits-to-sales ratio to 3.9%.

After a spending spree in '82, Federated reduced its capital expenditures 29% in '83, spending $325 million. Federated opened 60 stores during the year and closed eight, for a net gain of about 1.5 million sq. ft. of retail space. The openings included 10 department stores, 25 Children's World specialty stores and only two mass merchandise units. In '82 Federated debuted 21 Gold Circle and Richway stores.

Late in the year Federated closed its six-store Bullock's northern California division. Bullock's did not have sufficient penetration in its major markets to produce an adequate return on investment, say Federated executives. Rather than increase spending to better position the chain, Federated decided to deploy its assets to other, potentially more lucrative, investments.

***Strong showing by** dept., specialty stores was key to growth at Federated.*

One of those new ventures is Mainstreet, the soft goods department store chain that Federated plans to roll out at the end of 1984. The company hopes to open 12-15 of these units in Chicago within the next five years and will also take the concept to another market.

Federated also plans to accelerate the growth of its off-price division, Filene's Basement, which was spun off from Filene's this year. A new Filene's Basement prototype, more upscale than older Filene's Basement stores, debuted in 1983. In all, Filene's Basement opened four units this year. □

Comparable-store volume grows 6.7%

Led by its department and specialty store group, Federated posted a comparable-store gain of 6.7% in 1983. The company's 15 department and specialty store chains recorded an 8.1% gain in sales for stores operating for more than one year. The group was led by Rich's, which boosted sales 18.3% to $509.1 million through 17 stores, the same number of units it operated in 1982.

Abraham and Straus also posted a record year. Although it opened no stores in 1983, the chain increased sales 12.4% to $731.8 million. Federated's largest department store division, Bloomingdale's, recorded a 15.7% sales gain to $787.9 million. Those totals include the results of one unit opened during the year.

Comparable store gains at Federated's two mass merchandisers, Gold Circle and Richway, totaled 6.5%. Richway boosted sales 24.1% and posted record operating profits. Total volume at Gold Circle grew 16.4% but earnings dipped slightly.

Year	Sales[1] (000 omitted)	Profits[1,2] (000 omitted)	Stores[1]
1979	$4,923,700	$465,000	249
1980	5,319,900	487,400	262
1981	5,935,600	569,600	261
1982	6,423,200	527,900	309
1983[3]	7,211,000	600,000	434
'79-'83 change	+46.5%	+46.8%	+175 (+70.2%)

[1]Excludes supermarkets.
[2]Operating profits.
[3]Fiscal year ended Jan. 28, 1984.
Source: CSA research

Target, Mervyn's growth boosts company sales

Expansion of Dayton Hudson's successful Target and Mervyn's formulas helped the corporation post sales and earnings gains of 23% over 1983. Volume rose to $6.9 billion and net earnings were $243 million.

Although the Target discount store division showed only 8% same-store sales increases (below the company average of 11%), its entry into southern California boosted division sales to $3.1 billion. Mervyn's, which showed 13% same-store increases, also entered a new market, Texas, and accounted for $1.7 billion in sales. Together, these two divisions added 55 stores and accounted for 69% of corporate sales. Operating profit was up 18% at Target and 21% at Mervyn's.

This year both divisions lost key executives. Bruce Allbright succeeded Floyd Hall as Target's chairman in February. Last year, Mervyn's broke off its Southwestern stores as a separate division, with

***Target sales got** a boost from its southern California entry.*

Mark Cohen named president of the South Central district. In April of this year, Mervyn's president, Wallace Kalina, resigned. His duties have been assumed by a team of executives.

Department and specialty stores showed the most improvement. Department stores, which had an 11% same-store sales increase, posted a 36% increase in operating profits over 1982. The specialty store division, led by B. Dalton Bookseller and Lechmere, had an overall 14% same-store sales gain, with a 33% increase in operating profits.

Emphasis in 1984 will be on expanding market share in Mervyn's and Target's new markets and on expanding the specialty store division. Lechmere has turned around with a new prototype and may venture out of its New England home base, possibly by 1986. More than 20 Pickwick Book stores, the discount arm of B. Dalton Bookseller, will be launched in 1984.

Dayton Hudson recently merged two of its department stores, Dayton's in Minneapolis and Hudson's in Detroit, into the Dayton Hudson Department Store Company. This new division, which consists of 36 stores, is expected to do $1.2 billion in '84. The reason given for the merger was to provide the two chains with greater buying clout and to strengthen private label brands. P. Gerald Mills, corporate executive vp, is chairman/ceo of the new division, headquartered in Minneapolis. □

Undaunted, DH continues specialty store thrust

Last year, Dayton Hudson's "elegant" off-price chain, Plums, was the talk of the town. In February, less than a year after its debut, the initial four stores of what was to be a nine-store test were sold to California-based Ross Stores.

Analysts agree that whatever the Plums experiment cost Dayton Hudson (which had allocated $30 million for the division start-up), it was just a drop in the bucket compared to the corporation's earnings. Did Dayton Hudson give Plums a chance? Analyst Jeff Edelman at Dean Whitter thinks the company simply realized it couldn't make a go of it. Fred Wintzer, first vp at Lehman Brothers, agrees, but also argues that Plums' problem was that it made too much of a splash.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$3,384,800	$126,500	661
1980	4,033,500	139,200	831
1981	4,942,900	159,500	925
1982	5,660,729	198,368	981
1983*	6,983,755	243,187	1,079
'79-'83 change	+105.7%	+92.2%	+418 (+63.2%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

"You have to sneak into the off-price business," says Wintzer. "But Dayton Hudson did it with such an amount of fanfare that accounts got pressured not to sell to them [Plums]. It's not the kind of business you get into by opening the first store as front-page news."

Dayton Hudson may have learned a lesson. Its next reported specialty store test, in home furnishings, is not being publicized.

Dayton Hudson remains committed to expanding its specialty store businesses, which showed 14% same-store increases last year, the highest of any division. "Dayton Hudson is heading toward becoming predominantly a specialty store company," says Bruce Grier, analyst at Drexel Burnham. Grier expects the corporation to derive 50% of sales from its specialty store chains, including Mervyn's, compared to one-third of sales in 1983.

Ward turns profit a year ahead of schedule

Although Montgomery Ward produced the lowest profits-to-sales ratio of any major general merchandise chain, 1983 was still a banner year for the troubled retailer. For the first time in four years the company made money, a year sooner than anyone expected, and on the strength of that performance president Stephen Pistner is already talking about rebuilding the chain into one of the nation's 10 best retail companies.

Ward earned $40 million on total revenues of $6.646 billion. The year before it lost $93 million while producing revenues of $6.143 billion. The chain has kept up that momentum through the first quarter of its current fiscal year. During the period Ward cut its losses from $19 million last year to just $4 million.

When he came to Ward three years ago, Pistner envisioned a revitalization program that included two broadly defined goals: to trim expenses and increase productivity in a chain whose operations had grown unwieldy, and to develop centralized merchandising to respond more quickly and sensibly to emerging trends. Today Ward is undisputably a leaner, more aggressive company.

By its own estimates Ward has trimmed about $100 million in expenses over the last three years. The chain has cut some 20,000 jobs, including about 4,300 positions in 1983. Three years ago Ward operated 113 distribution centers in a network that was complicated and at times redundant. Now it is supplying its stores through just 35 centers, and sales per square foot at distribution facilities have grown in two years from $259 to $433.

Even as it has consolidated operations and closed unprofitable stores, Ward has reworked its merchandising strategy, focusing on brand name goods and dividing up its massive stores into smaller, easy-to-shop boutiques. Company executives are already crowing about the success of that strategy. A year after it started carrying Sony televisions, the chain emerged as one of the top five retailers of the line. Sales of athletic apparel, meanwhile, doubled in one year.

***Ward is focusing** on brand names and easy-to-shop boutiques.*

Ward's stores are clearly becoming more productive. In just one year the number of stores producing sales in excess of $20 million grew from 31 to 53. Sales per retail square foot rose 11.1% to $159 in 1983. The most dramatic improvements have come in the most recently remodeled stores—60 units that were redone last year. Some of those units have reportedly nearly doubled their sales.

These are impressive results for a chain that lost $415 million from 1980 through 1982. But much still needs to be done. This year Ward plans to remodel 60 stores at a cost of $500,000 per unit. The chain is crafting a new prototype, but it will take up to three years for the complete new merchandising strategy to emerge. In the meantime it will have to continue closing unprofitable stores and contending with units that are poorly located and outdated.

Still, the company earned $40 million this year, on the strength of a $53 million profit for the fourth quarter. There's a new momentum at Ward, and 1984 is clearly a crucial year for the chain. □

Stores record 71.9% of Ward's revenues

Sales through its 375 stores accounted for 71.9% of Montgomery Ward's revenues in fiscal 1983. Volume in stores rose 8.9% to $4.78 billion.

Catalog sales increased just 4.1% to $1.19 billion as the company trimmed by 88 the number of catalog facilities. At year-end Ward had 2,163 such facilities, including just 99 conventional catalog stores. Five years ago the company operated 220 conventional units.

Ward's insurance group boosted revenues 4.1%, closing out the year holding insurance policies valued at $7.22 billion. The group produced income of $17 million, down from $18 million the year before.

Bad debt forced Ward to write off about $104 million through its own credit service. That figure represented the lowest such loss the company has incurred in the last four years. Since 1982 it has worked to reduce bad debt by tightening credit policies and targeting a younger consumer, one who uses credit less frequently and pays more quickly than Ward's traditional credit customers.

Year	Sales (000 omitted)	Profits[1] (000 omitted)	Stores
1979	$5,251,000	$ 54,000	419
1980	5,497,000	(162,000)[1]	411
1981	5,742,000	(160,000)[1]	389
1982	5,584,000	(93,000)[1]	389
1983[2]	6,363,000	40,000	375
'79-'83 change	+14.3%	−25.9%	−44 (−10.5%)

[1]Parentheses denote a loss.
[2]Fiscal year ended Dec. 31, 1983.
Source: *CSA* research

Specialty chains shore up Woolworth

After a shaky 1982, F. W. Woolworth Company was back on track in '83. Chainwide sales rose 6.5% to $5.5 billion, and earnings rose 43.9% to $118 million. However, when discontinued operations (U.S. Woolco and British F. W. Woolworth plc.) are factored in, the company suffered a net loss of $353 million.

Domestic sales rose 9.1% while foreign sales, expressed in United States dollars, were up only 3.1%. All of Woolworth's divisions except *J. Brannam achieved operating income increases. Domestic operating income rose 20%, and foreign operating income was up 19%.

After ridding itself of the unprofitable U.S. Woolco discount chain, Woolworth had been concentrating on its variety end specialty stores. Last year, worldwide specialty store operations accounted for one-quarter of Woolworth's volume and more than half of total operating profits.

Specialty store operations will be expanded this year. The Kinney division will receive 215 new stores, mostly Foot Locker and Lady Foot Locker units. Woolworth acquired the Little Folks children's wear chain last year, but will mainly expand that division's Kid's Mart off-price stores.

Harold Sells, president/ceo, notes that Woolworth has been "one of the most successful chains in the country in developing specialty stores," adding, "We feel we have the knowledge and expertise to do a good job in this field." Because specialty stores have been showing a higher return on investment (Woolworth has a goal of 11%) than the variety stores, the emphasis will be on expanding, developing and acquiring successful chains.

At the same time, Woolworth officials feel that some of the strongest profit growth will come from the U.S. Woolworth operation. To strengthen the variety stores, Woolworth plans to continue a refurbishing program. Last year, 10% of the variety stores were redone along the lines of the Cherry Hill, N.J., prototype. A similar number is slated for conversion this year.

The U.S. Woolworth operation is expected to show profit growth.

The departure of Woolworth division president/ceo Jack Parker will have no effect on the program already in place, says a store spokesman. Parker, who resigned this March, has been replaced by Robert Jennings, former executive vp/merchandising. □

Problems under control

The two underperforming chains in Woolworth's corporate roster, *J. Brannam and Richman Brothers, show signs that they, too, many soon be contributing to corporate profits, possibly by year-end.

Theodore T. Bierman, who took on the duties of president/ceo of *J. Brannam in August, says he expects that chain to be in the black in "the not too distant future." Although the off-price family apparel chain ended the fiscal year with a $7 million loss, business picked up dramatically in the fourth quarter of '83, says Bierman, and the loss was less than Woolworth officials had originally projected. For the beginning of this year, same-store sales were showing "dramatic double-digit increases," says Bierman.

Woolworth's other problem child, the Richman Brothers men's wear chain, is also under new leadership. William Gaudreau, who took over as president in October, said sales in the last quarter of '83 increased 24% over the same period in '82, and gross profits for the quarter were ahead 30%. Gaudreau is sure the chain will be in the black by '85, thanks to remodeling and changes in the merchandise mix. Results from Anderson-Little, the family apparel chain, helped the Richman division achieve operating profits of $10 million in '83.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$4,824,000	$126,000	4,647
1980	5,162,000	140,000	4,966
1981	5,075,000	97,000	5,197
1982	5,124,000	82,000	5,124
1983*	[illegible]	[illegible]	[illegible]
'79-'83 change	+13.1%	−6.3%	832 (+13.6%)

*Fiscal year ended Jan. 31, 1984.
Source: *CSA* research

Another record year at Wal-Mart

New growth, *same-store sales helped Wal-Mart to a record year.*

Sam Walton isn't making any rash promises this year. Walton found himself hulaing his way down Wall Street in March when Wal-Mart exceeded its pretax margin goal of 8% by 0.05%—a feat Walton said couldn't be done.

Last year's record level was achieved through a combination of factors, including improved earnings at former Kuhn's stores, an improved economy and favorable weather. It looks unlikely that Wal-Mart will shatter that record this year. But perhaps Walton should hold on to his grass skirt.

Despite some new competition—a revived Roses in Kuhn's old territory and Duckwall-ALCO, which took over Majic Marts on Wal-Mart's western frontier—Wal-Mart went blazing ahead. Sales were up 38.2% over 1982, increasing from $3.376 billion to $4.666 billion in 1983. The compound sales growth rate for the last five years equaled 39%. Net income shot up 58% to $196.2 million in '83, 47.8% compounded annually since '79.

Some of this growth came from new operations: 91 discount stores were added last year, including 43 former Woolco sites, and three Sam's Wholesale Clubs and one DOT deep-discount drug store. However, even same-store sales for the final period increased by 15%, compared with 11% increases for the previous year.

Selling, general and administrative expense-to-sales ratio was at a record low last year, 19.9% compared to 21.2% in '82. Wage expense ratio dropped by 0.5% and advertising expense ratio by 0.4%. Inventory turnover increased to a record 4.51 turns, compared to a 3.91 turnover rate in '82.

Warehouse expansion is running proportionate to store expansion, says president Jack Shewmaker. The new distribution center in Alabama, serving the former Kuhn's stores, is performing up to expectations, and another warehouse will open in Iowa. Thanks to increased computerization of warehouse operations, warehousing expense ratio declined.

All Wal-Mart discount stores four years or older will be updated to the current prototype format by 1985, says Shewmaker. Apparel departments, which generate higher gross margins, showed an excellent return on investment last year, Shewmaker notes. However, despite additional space devoted to apparel in the newest stores, the overall hard/soft ratio is likely to remain at 68%/32%, he adds. Emphasis will be given to growth categories such as electronics, telephones, large-size apparel and microwave cookware. Dresses and low-end sewing fabrics are being de-emphasized. Wal-Mart will beef up craft departments.

Sales for '84 are projected to exceed $6 billion, with the addition of 105 discount stores, at least six Wholesale Clubs and one more DOT. □

Low-margin stores cause gross-margin dip

Lower gross margins at Wal-Mart's Sam's Wholesale Clubs (averaging only 12%) and at the one DOT deep-discount drug store, combined with increased promotional activity at the Wal-Mart discount centers, caused gross margins to drop by 0.4% in 1983. A further decline in gross margins is expected this year as Wal-Mart expands the Wholesale Club concept. In addition, the discount stores will be even more promotional this year as the chain aims to combat regional chains that are slashing prices to battle the Wal-Mart onslaught, says president Jack Shewmaker.

The Wholesale Club division reduced corporate pretax margins by 0.05% in 1983 and are expected to cut pretax margins 0.2% in 1984.

That's the bad news—the only bad news. The three Wholesale Club units opened last year turned profitable almost immediately. Six to eight wholesale stores are planned for this year, and if those prove as successful as the first crop, expansion will be stepped up, say industry analysts. The units, which average 100,000 sq. ft., are expected to do $50 million each within the first year of operation. Merchandise will remain hard goods-oriented, with about one-third of the mix devoted to food and snack items in institutional sizes.

One more DOT drug store will be opened by year's end.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$1,248,176	$ 41,151	276
1980	1,643,199	55,682	330
1981	2,444,997	82,794	491
1982	3,376,252	124,140	551
1983[1,2]	4,666,909	196,244	646
'79-'83 change	+273.9%	+376.9%	+370 +134.1%

[1]Fiscal year ended Jan. 31, 1983.
[2]Includes three Sam's Wholesale Clubs and 1 DOT drug store.
Source: *CSA* research

***May's dept. stores scored** double-digit operating income gains.*

Gains in all divisions propel May's earnings

Profits at May Department Stores rose 33% in 1983 on the strength of double-digit gains in operating income in each of the company's divisions. Earnings for the diversified retailer hit $187 million on sales of $4.2 billion.

Venture Stores once again produced the largest percentage gain in earnings at May as the chain's revitalization program continued on target. Operating profits at Venture rose 45.2% to $44 million. That gain came on top of 1982's earnings increase of 78.6% and put the discount chain on solid footing depsite the slow rate of economic recovery in many of its Midwestern markets. With sales up 16.7% to $794 million, Venture's operating profits-to-sales ratio grew to a respectable 5.8%. Just five years ago the division's ratio was a dangerously low 1.5%.

Although department stores continue to contribute the largest share of corporate earnings, Venture provided 10.3% of May's profits this year, from 8.9% a year ago. The chain added four units and remodeled four, closing out the year with 151 stores. This year it will open six stores, with expansion concentrated within a 500-mile radius of the chain's St. Ann, Mo., headquarters. Another eight stores are planned for 1985 as part of a $150 million program by May to accelerate the growth of its increasingly productive discount chain.

The department store group provided 70.9% of corporate sales and 71.9% of earnings. Operating profits for the department stores rose 21.4% to $306 million on a 12.8% sales gain. That was welcome news for the company, which saw its department store operating profits rise just 4.8% in 1982 because of pressure on margins caused by excessive promotional activity. The profits-to-sales ratio of the department store group increased to 10.2%, up from 9.5% the previous year.

May's department stores produced those gains despite the addition of just three stores in 1983 and the closing of one small unit. The company has now opened seven department stores in the past two years and plans another 16 over the next three years.

Volume Shoe, which operates 1,407 self-service shoe stores, registered another strong year, boosting earnings 43.9% on a 34.4% gain in sales. The company posted earnings of $59 million and sales of $429 million. Store expansion slowed slightly from the torrid pace of 1982, when 190 stores were added. Volume Shoe opened 110 stores last year and plans about 165 units this year.

In the last five years May's earnings have grown at a compound annual rate of 13.2% despite the concentration of many of its stores in the Midwest. The company's strength in the face of a poor economy has led some Wall Street analysts to predict that it will outperform the department store industry as a whole over the next several years as activity picks up in its major markets. "The industrial Midwest is becoming a plus for May as the economy there revives," says Value Line analyst Milton Schlein. □

Volume Shoe leads in same-store gains

Volume Shoe produced the largest store-for-store sales gain among the May retail divisions. Sales in Volume Shoe stores operating for more than a year grew 13.4% in 1983. Venture's same-store sales, meanwhile, increased 9.1%, while the department store group registered a 10.2% gain in same-store sales.

Those sales gains in established stores helped May boost its pretax margin to 10.1% of sales, up from 9.2% the previous year. A reduction in interest expenses, which declined $1 million to $41.7 million also helped.

Expenses rose 14.1% as May completed the second year of its aggressive five year, $1 billion capital expenditures program.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$2,977,000	$113,000	984
1980	3,173,000	117,000	1,156
1981	3,413,000	126,000	1,272
1982	3,670,000	142,000	1,468
1983*	4,229,000	167,000	1,602
'79-'83 change	+42.1%	+65.5%	+618 (+62.8%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

ADG is poised to grow even higher

Six years of strategic planning aimed at reducing unproductive space, beefing up high-flying divisions and broadening its retail base paid off handsomely for ADG in '83.

Sales advanced 16.6% to $3.7 billion while net income jumped 47.3% to $115.5 million. Selling, general and administrative expenses as a per cent of sales fell 0.4% to 17.3% while gross margins rose 0.4% to 24.9%.

In addition, inventory shrinkage fell in both the discount and department store divisions. Department store shrinkage fell to 2.1% compared to 2.5% in '82 and an industry average of 2.6%. For discount stores, shrinkage was an almost invisible 0.3%, down from 0.8% the prior year and an industry average of 2.2%.

In keeping with past policies, ADG continued to consolidate its holdings. The Diamond, a two-store division in West Virginia, was sold. Later in the year Stix, Baer & Fuller, a 12-store chain headquartered in St. Louis, was sold to Dillard's for approximately $93 million. The division had been unprofitable for several years and had turned in poor results on sales of $133 million during the first three quarters of '83.

In addition, the five-store Cincinnati based H. & S. Pogue was consolidated into the 13-store L. S. Ayres group in order to strengthen market share and increase operating efficiencies.

The department stores showed a year-to-year increase of 7.3% in sales and 21.4% in operating profits. Four new stores were added during the year.

Private label merchandise is gaining consumer acceptance at ADG's department stores. About 18% of merchandise in stores (30% in Lord & Taylor) carries private labels. The portion of this merchandise will be increased.

The company has budgeted $110 million for capital expenses in '84, but for the future, most growth will be concentrated on the most profitable divisions. In '84 Lord & Taylor will open two stores.

***ADG's Caldor units** topped $1 billion during 1983.*

During '85, Lord & Taylor will open an additional three units, J. W. Robinson will open one and Robinson's of Florida will add two. In '86 Lord & Taylor (and also Macy's) will target a new area—New Orleans, which is a relatively untouched market.

Analysts believe '84 should be a good year for ADG. Clusters of Midwestern stores still feeling the effects of the recession in '83 should feel the full impact of the recovery. Loehmann's will show a full year of operating results, and expansion will be slower, reducing start-up costs. □

Caldor sales top $1 billion

The 1981 acquisition of Caldor and the 1983 purchase of Loehmann's herded two prime upscale discounters into ADG's fold. In '83, this division contributed sales of $1.3 billion—about 35% of the corporate total.

It was an important year for Caldor. For the first time the 95-store chain's sales topped the $1 billion mark. Analysts estimate the company's sales increased 19% to $1.1 billion over the prior year's $925 million. Management notes Caldor's profits also continued to increase at a healthy rate.

The discount division as a whole contributed $86.3 million in operating profits, 27.5% of the corporate total of $313.6 billion.

During '83, Caldor opened 16 new stores, including first-time markets in Long Island, N.Y., and Baltimore, Md. In '84 the chain will open another eight units, additional locations in New York, Massachusetts and Maryland among them.

Loehmann's, which opened six stores during the year just ended, will add another six in '84. ADG management says the discount division will provide the major part of the chain's growth.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$1,763,212	$ 43,498	163
1980	1,952,239	51,764	167
1981	2,751,221	69,774	245
1982	3,188,858	78,414	247
1983*	3,717,827	115,520	316
'79-'83 change	+108.5%	+165.6%	+153 (+95.1%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

Profitable but still disappointing results

General merchandise retailing returned to profitability last year, but the improvement was still far below Household Merchandising's historical levels of income, and, acknowledge corporate executives, even farther below the level the operations should attain.

On sales of $2.87 billion, the four nonfood retail operations (T.G. & Y., Ben Franklin, Coast to Coast and assorted furniture nameplates) returned $12.1 million in profits. The 0.4% return on sales compares unfavorably to the 1.7% figures posted in 1979 (itself an underachieving percentage), but is an improvement over the $14.9 million loss in '82.

The predominant transgressor has been T.G. & Y., 812 discount and variety stores strung across the Sunbelt's medium and small towns. Sales totaled $2.06 billion last year, a 3.1% decline from '82. After recording a $16.6 loss in '82, T.G. & Y. rebounded somewhat with a $2.8 million profit.

To effect the necessary turnaround at T.G. & Y. and Household Merchandising, a new executive team has been recruited. Led by new HM president/ceo Bernard F. Brennan, the organization has been heavily seeded with ex-J. C. Penney, Montgomery Ward and discount store retailers. Among the top 16 T.G. & Y. officers, only two are veterans of the chain.

T.G. & Y. is focusing more on its 535 discount stores and is formulating plans to make them, in Brennan's words, "contemporary stores that carry quality, brand name merchandise in dominance." T.G. & Y. expects to offer dominant assortments in children's apparel, soft home furnishings, domestics and consumer electronics.

Variety stores will be phased out as leases come due. Last year, 89 stores, mostly variety units, were closed.

On the plus side of the variety business, Ben Franklin appears to be poised for improved profitability. The franchisor has dedicated itself to developing retail programs to enhance its wholesale business rather than compete directly against other wholesalers.

***T.G. & Y. is focusing** on contemporary stores that carry quality.*

A new program, STAR (Strategic Targeting and Repositioning), is addressing the complete store and not just individual departments. Ben Franklin hopes to remodel 1,000 stores over five years as the company seeks more of a uniform look.

Retail sales last year hit $859 million, a 4.1% improvement. Ben Franklin produced a modest profit last year vs. a loss in '82. Division president Michael McGinnity predicts that in 1985, Ben Franklin will record in excess of 15% return on equity, the corporate standard. □

Industry standards three-year goal

Household Merchandising president/ceo Bernard F. Brennan's goal for T.G. & Y. is to hit industry standards within three years. He has a long way to go.

T.G. & Y.'s sales per net square foot in '83 were $89, vs. about $120 for the industry. Earnings to sales of 0.014% fell short of the near 2% industry level.

To reach acceptable productivity, T.G. & Y. will concentrate on 60,000-sq.-ft. stores similar to its Aim for the Best units. Purchasing and distribution systems will be modernized.

The goal is to make T.G. & Y.'s profit contribution as significant as its sales input. Last year, its sales equaled 39% of Household Merchandising's total, but only 7% of its income.

Year	Sales[1] (000 omitted)	Profits[1] (000 omitted)	Stores[1]
1979	$2,445,400	$40,800	4,617
1980	2,670,600	23,100	4,619
1981	2,911,100	25,800	3,963
1982	2,926,900	(−14,900)	3,768
1983*	2,872,000	12,100	3,632
'79-'83 change	+17.4%	−70.3%	−985 (−21.3%)

*Fiscal year ended Dec. 31, 1983.
[1]Excludes Vons
Source: *CSA* research

Store improvements net improved results

***Expansion and refurbishing** produced results at Zayre stores.*

Over the last five years Zayre has spent nearly $200 million on remodeling old stores, opening new ones, installing new systems and improving the quality of management. The results has produced consistent sales and earnings increases, and 1983 was no exception.

Sales rose 22.2% to $2.6 billion. But the real improvement is evident in the whopping 74.6% increase in net income to $61.4 million. Based on these advances, Moody's Investors Service raised the rating in Zayre's senior subordinated debentures to BAA-2 and its subordinated debentures to BAA-2.

Five-year compound net income is 35.2%—well above the corporate goal of 20%. In fact, the growth goal has been exceeded in each of the last five years except for '80, when Zayre converted to LIFO inventory accounting.

The discount stores kicked in the lion's share of sales and earnings—$1.9 billion in sales, an increase of 17.7% over the prior year. Comparable-store sales were up 14.4%. Operating income totaled $90.8 million, a 65% increase over '82.

Fueling these improvements was a capital spending budget of $76.3 million. New discount and specialty stores accounted for $35.1 million. The company also spent $8.4 million for electronic point-of-sale registers in all stores and $1.3 million for a system designed to track merchandise through the distribution facilities.

In '84 capital expenditures will increase 35% to $103 million, including the opening of 12 new discount stores. But the high levels will be maintained even after the company's existing stores are all updated, as the money will go to improving merchandise assortments and presentation throughout the chain.

With an eye to the future, Zayre is developing two new business units—specialty catalog and wholesale club warehouse stores. Response last year to Chadwick of Boston, an off-price women's sportswear catalog, has been better than expected. Several million catalogs will be distributed this year, although company executives say it will not make significant contributions for several years.

This summer, Zayre will open its first warehouse unit. Management is already in place and sites are being selected. A second unit may open in the fall. □

Specialty stores report mixed results

Zayre's two specialty off-price apparel chains, T. J. Maxx and Hit or Miss, reported sales of $711.5 million in '83, a 35.9% increase over the prior year.

At the same time, operating income hit $54.8 million—a healthy increase of 16.7% over '82 yet nowhere near the 54% increase earned between '81 and '82.

Overall, the specialty division is very healthy, with five-year compound operating income growth of 46.7%, though operating income as a per cent of sales decreased in '83 to 7.7% from 9% during the prior year.

While T. J. Maxx turned in exceptional results during the year just ended, Hit or Miss—the women's apparel chain—faltered. During the second half, unplanned markdowns were taken, producing results that were below management's expectations, says Maurice Segall, Zayre president/ceo. He adds that the chain simply didn't respond to trends quickly enough with the right merchandise.

But management believes the chain will rebound in '84. Hit or Miss has redirected its marketing strategy toward an older, more fashion-conscious shopper. Between 60 and 75 stores will be opened during '84, with an emphasis on downtown locations as well as off-price malls, regional centers and better strip centers.

Segall is very enthusiastic about T. J. Maxx, indicating that the chain's sales should reach $1 billion within two years. The company will open 35 new units during '84 with the potential over the next five or six years of reaching 300 stores and sales volume of nearly $2 billion.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$1,549,729	$16,643	528
1980	1,594,235	17,574	531
1981	1,797,139	22,147	567
1982	2,139,616	35,176	617
1983*	2,613,667	61,426	749
'79-'83 change	+68.7%	+269.1%	+221 (+41.9%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

Carter Hawley Hale

Is the cure worse than the disease?

Just when it seemed that Carter Hawley Hale was turning the corner toward revitalized sales and earnings, The Limited appeared on the scene, engineering a takeover attempt that has sent the retailer reeling. In searching for an alternative, Carter Hawley Hale has been thrown into the arms of General Cinema Corp., cast now as a savior but with the potential to be a real thorn in its side.

Earnings were up 37.7% in '83 to $67.5 million on a 19% increase in sales to $3.6 billion. Comparable-store sales climbed 15%.

In January, the company announced it had formed a new division, headquartered in New York, to provide buying and merchandising services for all divisions. "Carter Hawley Hale Market Service will be a cornerstone in our overall corporate strategy of procuring distinctive merchandise for all our stores," says company chairman/ceo Philip Hawley, "to anticipate and respond to our customers' preferences."

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$2,408,028	$69,062	753
1980	2,632,921	57,341	855
1981	2,870,735	44,762	948
1982	3,054,764	49,025	1,026
1983*	3,632,662	67,485	1,082
'79-'83 change	+50.9%	−2.3%	+329 (+43.7%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

In addition, the company has made rapid strides in making its merchandise more current through timely markdowns. Analysts say improved divisional management is better suited to gearing up the company for aggressive growth to combat its weakened market share positions in key markets.

But the move by Columbus, Ohio-based Limited has put Carter Hawley Hale in a position where it could lose its star division—841-store Waldenbooks. The chain accounts for about 10% of corporate sales and earnings.

In defending itself against the takeover attempt, the CHH sold new issues of convertible stock amounting to 23% of the retailer's voting rights to General Cinema for $300 million and gave it the option to purchase the book chain for $285 million within six months. The agreement prohibits General Cinema from holding more than one-third of voting stock or from waging a proxy fight for seven years.

At presstime, the outcome is still uncertain. The stock sale is being investigated by the S.E.C. and the Labor Department for possible violations. At the same time, Moody's Investor Service is reviewing the chain's debt rating. □

Rose's

Earnings soar for Sunbelt discounter

Rose's Stores continued to take the Sunbelt by storm during 1983, generating whirlwind sales and earnings. Sales increased 25.3% from $661.9 million in '82 to $829.3 million. Net income jumped a whopping 89.3% from $11.6 million to $21.2 million.

Much of the improved sales and profits are due to upgraded merchandise, refixtured presentation and an upscale new prototype. More emphasis is being placed on soft lines apparel sales through the redesigned store format. Customers now walk into the higher-margined apparel section first. New fixtures allow them to see more garments as well as more facings of each garment.

The new look has paid off for the discounter as sales per net square foot have increased from $86 in '81 to $107 in '83.

Last year, Rose's dropped the deadwood from its operation by selling its P. H. Rose variety stores. These stores accounted for about 5% of company sales and profits during '82, says Lucius Harvin III (Harvin was recently elected chairman/ceo by Rose's board, with Jack Edwards tapped to take over as company president). "The sale is not expected to have a material impact on the company's financial results," says Harvin. "We believe the sale will permit us to concentrate all our efforts on the discount stores."

In addition, the company offered a sale of 700,000 new shares of non-voting Class B stock, producing net proceeds of about $15 million. The money is earmarked to continue expansion and remodeling plans. About 25 stores will be remodeled in '84, with 8-15 units opening during the year. "Our management team," says Harvin, "is looking forward to once again making Rose's stores the most profitable discount retailers in our part of the country." □

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$497,747	$ 8,719	227
1980	526,288	6,348	235
1981	594,760	8,242	234
1982	661,903	11,559	238
1983*	829,286	21,886	193
'79-'83 change	+66.6%	+151.0%	−34 (−15.0%)

*Fiscal year ended Jan. 25, 1984.
Source: *CSA* research

***Rose's credits** an upgraded merchandise mix for improved figures.*

G. C. Murphy

Mart emphasis boosts profits

G. C. Murphy company sales for the year ended in January crept ahead only 6.1%, to $872 million from $822 million in 1982. There were 19 fewer stores in the current fiscal year.

Thanks to the increased emphasis on the Murphy's Mart discount stores (118 in '83 vs. 111 the previous year), however, earnings zoomed ahead 56.7% to $18.4 million. This was the company's second straight year of record earnings, which president/ceo Charles Lytle attributed to outstanding efforts by company personnel at all levels to offset adverse economic factors in many of Murphy's blue-collar markets.

The Marts contributed 68% of total sales in '83, compared to 65% in '82, and will add a larger share of sales and profits this year. Two new Marts will open this year, while 15 variety stores will be closed (24 were closed in '83). This reflects Murphy's ongoing program to close variety stores at lease terminations or whenever they become unprofitable. However, says a spokesman, the variety store base that remains has become much stronger as a result of the weeding-out process and new merchandising programs.

Murphy is in the midst of a merchandise and design upgrading effort. Marts will be getting new fixturing, including fingerwalls, swastikas and waterfalls, and apparel will be relocated to the center front of the stores. The company has changed its shoe lessee from SCOA to Morse in all discount stores as well as some variety stores in an effort to present more fashion-oriented merchandise.

Two reformatted Murphy's Marts were opened in April with Murphy's FIND (Fashions in New Dimensions) test program. FIND includes a complete realignment of merchandise, with some experimental lines in wearables, says a store spokesman, and a broadening of brand names across the board. These same lines will also be placed in two nonconverted Marts to see how they fare without benefit of upgraded surroundings. □

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$756,875	$ 9,854	467
1980	803,699	9,318	448
1981	817,823	4,878	435
1982	822,282	11,744	422
1983*	872,151	18,408	403
'79-'83 change	+15.2%	+86.8%	−64 (−13.7%)

*Fiscal year ended Jan. 26, 1984.
Source: CSA research

***Discount stores paced** G. C. Murphy's record earnings.*

Cole National

Toy chain is sales leader

Traditional toys made a significant comeback in '83, fueling Child World/Children's Palace sales to an all-time high of $360 million, a 27.1% increase over results in '82.

For parent company Cole National, sales from all divisions totaled $617.3 million, up 23.4%. The 90-store toy supermarket chain accounted for 58.3% of total corporate sales, compared to 56.6% in '82.

Total net income was up 38.9% to $17.7 million.

Capital expenditures for '83 amounted to $21 million for new stores and remodelings, up substantially from $14 million the prior year. For '84 the budget is $32 million, mostly to support openings of Child World, Things Remembered and The Original Cookie Company.

During the year just ended, 11 Child World stores opened—incorporating a new prototype developed in '82 which features a race track aisle, upgraded fixtures and bright graphics. The layout emphasizes traditionally strong areas like juvenile furniture and bikes.

With continued remodeling and another 14 new stores scheduled for '84, about one-third of the toy stores will feature the new format by Christmas.

Electronics volume slowed during '83 (it equaled 22% of sales volume in '82), and the toy stores shifted to a more traditional merchandise mix. Same-store sales went ahead 13%, compared to 19%.

While not dropping the high-tech category altogether, management is being cautious, taking a wait-and-see attitude toward the current electronics industry shakeout. The stores will continue to sell software, but there is no decision yet on hardware.

In December, the company entered an agreement with three banks to ensure financing for future growth and acquisitions. Including seasonal credit, Cole has $105 million available.

Early this year the company sold its Craft Showcase chain to Los Angeles-based House of Fabrics. The chain had been a sluggish performer, and company officials say its sale will not significantly impact future company sales or earnings. □

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$158,030	$ 5,661	1,522
1980	173,992	6,705	1,607
1981	407,662	8,740	1,636
1982	500,319	12,720	1,673
1983*	617,256	17,665	1,738
'79-'83 change	+290.6%	+212.0%	+216 (+14.2%)

*Fiscal year ended Jan. 28, 1984.
Source: CSA research

Bradlees

Topping the million-$ mark

Thanks to an impressive performance from stores in its new Washington, D.C./Baltimore market, which mainly impacted on fourth-quarter results, Bradlees' 1983 sales broke the million-dollar barrier. Sales of $1.18 million were up 36% over 1983 figures. Same-store sales results were up 10% over 1982.

Operating profits reached a record high of $80.4 million, up 59.4% from a year earlier. This follows an impressive earnings gain of 94.5% in 1982 over flat results for the previous three years.

Bradlees is by far the most profitable division in the Stop & Shop stable. While the Stop & Shop supermarkets division contributed more in sales ($1.425 million in '83), it accounted for only 17.5% of operating profits. The Bradlees discount stores brought in 79.2% of operating profits, up from 74.9% in 1982. The company's other general merchandise operations, the Charles B. Perkins Company and Off the Rax off-price stores, only added a 3.3% contribution, with Off the Rax suffering a loss for the year.

The 21 new Bradlees stores opened last year (all in previously occupied buildings) set a company record. This year, only six to eight new stores are scheduled to debut as there are fewer opportunities for the company to capitalize on voids left in the market by the closings of chains like Two Guys and Memco. Bradlees will be concentrating on a remodeling program, aimed at bringing its successful discount department store design into older units.

Bradlees unveiled its latest prototype in May, which includes many features used in the Baltimore/Washington stores last year. Two remodeled stores received Gloria Vanderbilt shops with department store-style bed and bath displays. Bradlees kicked off the Vanderbilt merchandise in all stores at Easter. Newer stores will use wall displays for the collection, which represents a "highwater mark in bed and bath pricing" for the chain, says a spokesman. Older stores will simply present the merchandise on gondolas. □

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$ 540,057	$28,199	83
1980	634,286	15,720	89
1981	718,790	25,940	91
1982	871,636	50,474	106
1983*	1,192,815	80,460	127
'79-'83 change	+119%	+185.3%	+44 (+53%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

Toys "R" Us

National borders won't stop growth

Toys "R" Us is launching new ventures in international waters buoyed by yet another year of record sales and earnings.

Sales were up 26.7% in '83 to $1.3 billion. Earnings kept on a steady growth pattern, climbing 43.9% to $92.3 million. Net earnings have averaged an annual growth rate of 40% since the company went public in 1978.

Comparable store sales rose 13.5% for the year. "We estimate that Toys "R" Us now has an approximate 12.5% share of the United States toy retailing market," says company chairman/ceo Charles Lazarus, "up from an 11% share in '82."

Home computers, video games and other electronic products accounted for 17% of total sales for the year, down 1% from 1983, but Lazarus feels children's educational software will be strong in '84.

Last year two off-price children's apparel stores, Kids "R" Us, opened. While the stores did not show a profit, Lazarus is confident that performance will improve during the current year. Between eight and 10 stores will be open before the fall back-to-school season.

Expansion of the traditional toy stores will continue on a steady course. About 30 stores nationwide will open, including five or six units in a new market, Cincinnati, this year.

The new stores will add about 2,500 sq. ft. of space to the 25,000-sq.-ft. selling floor (existing stores will be remodeled to gain selling footage). The change is designed to produce more merchandise facings and permit a better display for large items like bikes, strollers and furniture.

Lazarus' eye is looking for larger markets than just the United States. Plans are well under way to open stores in Toronto and Britain through wholly owned subsidiaries, plus a joint venture with a company in Singapore. The first international store—a joint venture—debuted last fall in Kuwait and has exceeded management expectations. Additional stores are already being planned for the Middle East. □

***Toys "R" Us racked up** a year of record sales and earnings.*

Year	Sales (000 omitted)	Profits (000 omitted)	Stores**
1979	$ 480,317	$26,776	85
1980	597,332	28,893	101
1981	783,285	48,920	120
1982	1,041,735	64,162	144
1983*	1,319,642	92,317	169
'79-'83 change	+174.7%	+244.8%	+84 (+98.8%)

*Fiscal year ended Jan. 29, 1984.
**Toy stores only.
Source: *CSA* research

Rapid-American

McCrory stresses high-volume stores

For the year ended Jan. 31, 1984, sales for the McCrory Stores division of the Rapid-American Corp. increased 7.6%, to $818 million, and operating profits were up 56.6%, to $75.5 million, over the previous year. At the same time, store count continued to drop.

Growth in sales and profits (which had declined during the previous fiscal year) was attributed to the emphasis on larger-volume stores. McCrory has been phasing out small-volume stores and concentrating upgrading efforts, including new fixtures and equipment, on higher-volume locations.

Last year, McCrory took advantage of the improving economy in many sections of the country, and boosted sales and profits through attention to seasonal and promotional goods and by maintaining a better in-stock position.

***McCrory attributes** growth to its larger-volume stores.*

This year, the variety store division will continue to upgrade its better stores and maintain a tight rein on payroll, markdowns, shrinkage and other expenses, says a store spokesman. It is also on the lookout for small chains or groups of stores to acquire, such as its recent acquisition of the Neisner stores in Florida and of Rasco. Meshulam Riklis, chairman of McCrory's parent, Rapid-American, is rumored to have a strong interest in the F. W. Woolworth Company.

Food-service operations in McCrory stores, which last year accounted for $50 million in sales, are getting beefed up via an agreement with the Roy Rogers restaurant chain. Six McCrory stores in the New York and Philadelphia markets will convert existing food operations into Roy Rogers franchises. Woolworth has also embarked on a similar venture with Burger King. □

Year	Sales[2] (000 omitted)	Profits[2,3] (000 omitted)	Stores[2]
1979	$619,000	$42,500	763
1980	674,000	43,400	751
1981	762,000	50,600	734
1982	760,000	48,200	723
1983[1]	818,000	75,500	719
'79-'83 change	+32.1%	+77.6%	−44 (−5.8%)

[1]Fiscal year ended Jan. 31, 1984.
[2]Variety stores only.
[3]Operating profits.
Source: *CSA* research

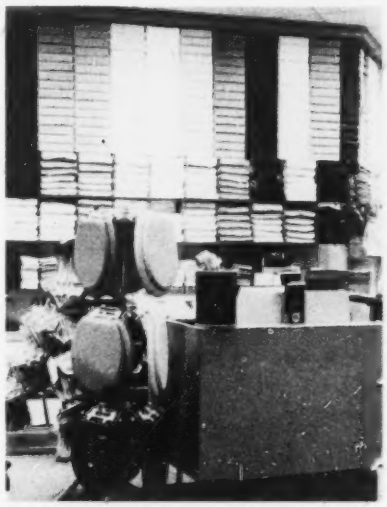
Mercantile

Sales and income hit new highs

Despite the closing of nine units last fall, Mercantile Stores boosted earnings 19% on a 13.8% increase in sales during fiscal 1983. Profits for the company, which operates department stores under 14 trade names, rose to $83.2 million on sales of $1.625 billion.

Mercantile ceased operations in one division, The Peoples Store, a seven-unit chain headquartered in Tacoma, Wash., and closed individual stores in Indiana and Illinois. Together those nine stores were contributing about 8% of company sales, but as a group they were only marginally profitable.

Mercantile partially offset those closings by opening two Joslins stores—one unit in Denver and another in Cheyenne, Wyo., to close the year with 77 stores. Those two new stores contributed $35 million in sales to the company's 1983 balance sheet.



***Mercantile will concentrate** on boosting productivity.*

With nine units closed, Mercantile relied on its established stores to propel it to record sales and earnings. Sales from stores operating more than one year totaled $1.59 billion, an 11.3% gain over total company volume in 1982. The success of established units reaffirmed Mercantile's strategy of focusing on secondary markets and emphasizing soft goods, private labels and consumables while generally avoiding high-ticket hard goods. That strategy has helped Mercantile boost sales per square foot 10%-15% in each of the last three years.

Mercantile plans to continue concentrating on increasing the productivity of existing stores rather than opening units. A substantial part of the chain's $46 million in capital expenditures last year went to the renovation of six stores. This year the company will open just one store but has budgeted about $45 million for renovations and enlargements of older stores. □

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$1,067,936	$42,606	84
1980	1,108,076	42,294	83
1981	1,269,491	57,895	84
1982	1,428,385	69,941	84
1983*	1,625,958	83,222	77
'79-'83 change	+52.2%	+95.3%	−7 (−8.3%)

*Fiscal year ended Jan. 31, 1984.
Source: *CSA* research

BATUS

Field's, Saks spur 31% income gain

Propelled by substantial profit gains at Marshall Field's, Saks and Kohl's, the BATUS retail group increased operating income 31% on a 27% sales gain in 1983. Income grew to $218 million for the 12 companies that comprise the retail group, while the combined sales of the group increased to $3.145 billion.

In its first full year as part of BATUS, Marshall Field's contributed 21.1% of the company's retail earnings. Operating income at Marshall Field's rose 30% to $46 million. Sales were ahead 9.3% to $675 million. Those gains were all the more impressive because they were built upon a 27% increase in earnings for 1982.

Under BATUS, Marshall Field's is continuing its penetration into Texas, begun in 1979. The company opened its third Texas store, the second in Houston, during 1983.

Saks and Kohl's were also solid performers for BATUS. Saks raised its operating income 26% on a 16% sales increase after reportedly registering a decline in earnings in 1982. It was one of the most aggressive divisions, opening four stores during the year in places as diverse as Connecticut, Texas, California and Louisiana. At year end it operated 38 stores.

Year	Sales[1] (000 omitted)	Profits[2] (000 omitted)	Stores
1979	$1,253,800	$ 77,800	84
1980	1,404,800	98,038	89
1981	1,577,000	121,902	95
1982	2,467,135	166,439	211
1983[3]	3,145,050	218,260	226
'79-'83 change	+150.8%	+180.5%	+142 (+169%)

[1]Excludes supermarket sales.
[2]Operating income.
[3]Fiscal year ended Dec. 31, 1983.
Source: *CSA* research

Kohl's opened nine stores this year after debuting five in 1982. Five of the 1983 openings were in one city, Indianapolis, which constitutes a new market for the company. Operating profits increased 48% on a 51% gain in sales.

The two Ivey's divisions also grew considerably during the year. Ivey's-Carolina, which has 13 stores in two states, boosted operating income 85%, while Ivey's-Florida more than doubled its profits.

Shortly after the close of the fiscal year, BATUS agreed to sell two Gimbels stores in greater Milwaukee because of FTC objections to the concentration of units the company operates there. Dayton Hudson was said to be considering purchasing one unit. Once it divests itself of those two units, the Gimbels-Midwest division of BATUS will operate 11 stores, including six in Milwaukee. Profits at Gimbels-Midwest grew 92% last year.

BATUS left food retailing last September when it sold the Kohl's chain of supermarkets to A&P. The company decided to divest itself of the food retailer, whose share had been steadily declining in the highly competitive Milwaukee market, to concentrate on operating department and specialty stores.

The BATUS retail group spent $113.3 million on new stores and remodelings last year, a 5.3% rise over 1982's expenditures. In all the group opened 15 stores and boosted retail space 4%. □

Best Products

Best booms to $2 billion-plus sales

Sales at Best Products reached a new benchmark in 1983, surpassing the $2 billion level, while earnings chalked up a 28.7% increase.

For the year sales increased 31.6% to $2.1 billion. Earnings were $37.1 million, up from $28.8 million in '82.

Yet fourth-quarter results were disappointing for the nation's largest catalog showroom operator. Same store sales in December were flat compared to a budgeted increase of 5%.

Part of the reason for the poor performance in what is normally retailing's strongest quarter was an excessively high percentage of out-of-stocks, especially on promotional items, says Andrew Lewis, Best president, and the fact that the company is still consolidating the 1982 acquisitions of Basco and Modern Merchandising.

During the year, Robert Huntley, a board member and president of Washington & Lee University, was appointed president of the catalog division. His appointment will free Lewis for strategic planning, including potential diversifications—especially important considering the rapid maturing of the catalog industry.

So far, Best's track record with specialty operations has been rocky. The most successful—the 18-store Ashby's off-price women's apparel chain—is doing well. Plans call for an additional 18 units during '84 in existing markets.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$ 696,830	$26,625	62
1980	841,803	21,676	75
1981	1,109,064	19,963	100
1982	1,581,650	28,820	202
1983*	2,091,328	37,087	212
'79-'83 change	+198.7%	+39.3%	+150 +241.9%

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

In March, however, Best sold its four Data Base computer stores. The company had predicted it would have 12-15 units by mid-1983, but the shakeout in the computer industry rattled management's confidence in the long-term profitability of the chain.

Best Jewelers, now with four stores, is still a test, but one benefiting from Lewis' dedication to the jewelry category in the specialty stores and in the showrooms. Lewis notes Best is currently the nation's fourth leading jewelry merchant and would like to increase jewelry sales from 20% of showroom sales volume to 25%. A new training program and a better incentive plan for jewelry personnel is showing progress in this direction. □

R. H. Macy

Established stores' gains boost profits

Effective cost controls and strong sales performances from established stores helped R. H. Macy & Company boost profits 37.7% on a sales gain of 16.4% for the fiscal year ended July 30. Sales for the year were $3.46 billion, while earnings reached $186.7 million. Net margin grew to 5.4% of sales and return on stockholders' equity jumped three full points to 21.1%.

Macy's opened just one store during the fiscal year and closed another, so the burden was on established units to perform well, and they did just that. Comparable store sales grew 14.5% as Macy's continued to succeed with a merchandising strategy that emphasizes keeping at least 95% of its goods current and maintaining a strong in-stock position on key categories. With that kind of productivity from established stores, sales per gross square foot grew more than 14% to $153. In the current fiscal year Macy's executives say they believe the company can achieve $175 per square foot in sales.

***Established stores** took on the performance burden for Macy's.*

As it strove to be a better merchant, Macy's also succeeded as a more efficient operator. SG&A declined nearly a full point to 19.6% of sales, at least in part because of a broad-based productivity improvement program.

Since the end of the fiscal year, Macy's has opened two stores and enlarged its Paramus, N.J., unit, for a net gain of 449,000 sq. ft. of retail space. One of the new units, located in North Miami Beach, marked the beginning of Macy's ambitious program to open 10 stores over the next six years in southeastern Florida and Texas. The company also hopes to open this fall at least two of the four Liberty House stores it purchased last year.

Before those openings, Macy's will debut one more store this fiscal year, a 233,000-sq.-ft. Davison's in Atlanta. With the addition of that unit, the company will close out the year operating 94 department stores.

Through the first six months of its current fiscal year, Macy's has boosted earnings 22.7% to $140.5 million. Sales for the six months are ahead 19.1% as the company continues to get solid gains from established stores. Same-store sales are up 16.5% for the six months. □

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$2,058,000	$ 75,800	83
1980	2,373,500	102,300	87
1981	2,656,700	118,700	92
1982	2,979,400	135,600	91
1983*	3,468,100	186,700	92
'79-'83 change	+68.5%	+145.3%	+9 (+10.8%)

*Fiscal year ended July 30, 1983.
Source: *CSA* research

Melville Corp.

Apparel, toys lead sales and profits

Specialty retailer Melville Corporation racked up respectable increases in sales, up 20.3% over 1982, and profits, up 24% above 1982 figures. This should help pull compound annual growth rate back on track. For the latest five-year period, sales grew at a 18% rate while earnings trailed at 15%. For the 10-year period, however, sales grew at a 19.9% rate while earnings gained at a 23.4% rate.

Sales rose to $3.923 billion, up from $3.261 billion in '82. Earnings were $176 million, an increase from 1982's $142 million.

Melville's 10 specialty store divisions encompass apparel, footwear, drugs and health and beauty aids, toys and domestics. The apparel sector, which includes Linen 'n things, the off-price domestics chain Melville acquired in April, accounted for 40% of company sales. Sales gains for the apparel area were ahead by 30.6%, while operating profits were up 26.8%.

Melville's Kay-Bee toy division, which contributed only 7.2% of company sales in 1983, was the best performer. Sales were up 53.5% over 1982, and profits rose 130.1%.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$2,022,769	$100,708	4,169
1980	2,332,243	113,824	4,547
1981	2,760,841	136,132	5,154
1982	3,261,649	142,124	5,482
1983*	3,923,219	176,259	5,747
'79-'83 change	+93.9%	+75.0%	+1,578 (+37.8%)

*Fiscal year ended Dec. 31, 1983.
Source: *CSA* research

Footwear stores, mainly Thom McAn and Meldisco leased departments in K mart stores, attributed 34.1% of total sales. Sales increased 6.1%, profits 10.7%.

In 1984, Melville will be shoring up several operations with new prototypes. Thirty-five new Marshalls stores will open this year, with an upgraded look. Thom McAn stores are getting a new prototype, and management is weeding out unprofitable sites. Last year, 88 stores were closed; 35 more are scheduled to be closed by year-end '84. Chess King and Foxmoor also will be getting new prototypes. Sixty Kay-Bee toy stores are scheduled to bow.

Melville's long-term debt increased nearly $20 million during the year, due to $42.5 million in notes issued as part of the purchase of Linens 'n things. However, previous indebtedness from the acquisition of Kay-Bee was reduced.

Dillard

Hefty net from modest sales gain

Dillard's ability to boost volume in existing stores without dramatically increasing expenses helped the chain parlay a solid sales gain into a substantial increase in earnings last year. Net earnings for the department store chain rose 55.5% to $34.1 million on a 19.1% sales increase. Volume for the year was $847.5 million.

Hurt early in the year by the devaluation of the peso, same-store sales rebounded in the third and fourth quarters. For the entire year same-store sales were ahead 15.3%, while selling, general and administrative expenses declined a full point to 25.8% of sales.

Gross margins rose to 39.1%, up from 37.4% in 1982, as Dillard increased sales of higher-margin men's and women's apparel. Over the last five years sales in these categories as a percentage of sales have grown consistently. Women's apparel now accounts for 37.7% of volume, up from 30.9% in 1979.

***Dillard increased** sales of higher-margin apparel.*

After opening 11 stores in 1982 Dillard debuted just one unit last year, ending fiscal '83 with 66 stores in eight states.

Shortly after the close of the year, Dillard acquired the 12-store Stix, Baer and Fuller chain in St. Louis from Associated Dry Goods. Although some industry observers are skeptical that Dillard can make a go of the stores, which ADG tried for several years to turn around, chairman William Dillard sees the purchase as a good one for his company. "The stores are in well-located regional shopping malls, and the coanchors in the malls are achieving satisfactory sales volume," he says.

Retaining market share in Dallas may prove just as challenging for Dillard as revitalizing the Stix stores. Dillard controls about 18% of department store volume in the Dallas-Fort Worth market but has reportedly been affected by the entry of Mervyn's, which opened five stores in the market last year. The company will attempt to increase its penetration in Dallas this year when it opens a new store there, one of three units the chain has slated for 1984. □

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$391,302	$ 8,316	44
1980	470,733	8,506	50
1981	592,867	16,259	56
1982	711,323	21,956	65
1983*	847,485	34,139	66
'79-'83 change	+116.6%	+310.5%	+22 (+50%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

Service Merchandise

DIY stores offer greatest growth

Service Merchandise, the nation's second-largest catalog showroom chain, continued on a strong course during 1983 despite what even chairman Raymond Zimmerman feels were missteps in the company's drive to develop new specialty retailing concepts.

For the year, Service increased sales to a new high of $1.5 billion, 22% above '82 figures of $1.2 billion. Earnings raced ahead 42.1% to $44.8 million.

After trying The Toy Store, a six-store specialty chain it dumped in '82, Service has diversified with two Zimm's jewelry stores, a three-unit specialty group called The Lingerie Store and the eight-store Computer Shoppe.

Zimmerman, with perfect hindsight given the rapidly changing computer market, admits that if he had to do it all over again, he would not have acquired the electronic specialty chain (or tried the lingerie and jewelry chains).

But disenchantment over one venture hasn't dampened his enthusiasm for another. At midyear Service acquired HomeOwners Warehouse, two discount home improvement stores in south Florida.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$ 729,759	$19,463	99
1980	865,017	20,309	113
1981	1,027,093	23,069	116
1982	1,195,283	31,569	139
1983*	1,458,998	44,999	173
'79-'83 change	+99.8%	+130.5%	+74 (+74.7%)

*Fiscal year ended Dec. 31, 1983.
Source: *CSA* research

The stores serve the DIY market with over 30,000 sku's of home improvement products.

New units will open this year in Chicago, Jacksonville, Louisville and Nashville, with a year-end total of eight to 10 stores expected. Company officials see this venture as providing the most opportunistic growth available due to the rapidly expanding market for DIY products.

During '83 Service didn't neglect its showrooms. The company opened 19 units and expanded into four additional states—Colorado, Nevada, New Mexico and West Virginia.

Despite the expansion and acquisitions, Service managed to strengthen its balance sheet at year end, reducing interest expense on debt by $6.4 million and increasing profit margins to 23.3% from 82's 22.8%. Comparable-store sales increased 7.5%.

Price Company

New units help hike earnings 87%

Price Company took its cash-and-carry format to four new locations last year and fashioned an 86.6% gain in net income on a 73% revenue increase.

Earnings for the fiscal year ended Sept. 4, 1983, rose to $14.7 million. Revenues increased to $643.5 million. Approximately $198.2 million of that volume represented sales of general merchandise to retail customers. Just five years ago Price Company earned only $1.06 million on retail and wholesale sales of $63.5 million.

The nation's premier operator of cash-and-carry warehouses continues to refine the concept that so many others are now emulating. Four new units, all opened less than a year, produced $67.1 million in volume. Established stores, meanwhile, boosted their volume 35%. That's an average gain of $28.5 million per unit.

Year	Sales[1] (000 omitted)	Profits (000 omitted)	Stores
1979	$ 19,552	$ 1,058	2
1980	45,689	2,547	4
1981	71,140	5,128	4
1982	114,259	7,891	7
1983[2]	198,196[3]	14,732	11
'79-'83 change	+914%	+1,292%	+9 (+450%)

[1]CSA estimate of retail general merchandise sales only.
[2]Fiscal year ended Sept. 4, 1983.
[3]Fifty-three week year.
Source: *CSA research*

Gross margin, already the lowest among major retailers, dropped to 10.7%. That decline, however, did not put pressure on pretax profit margins, which increased to 4.6% of sales from 4.2% the previous year. The company was able to produce that kind of profits-to-sales ratio on such a low gross margin because of its continued success controlling expenses. SG&A amounted to just 7.6% of sales.

In its current fiscal year, Price Company has opened three new units and plans for one more. One of the new units is located in Richmond, Va., marking the company's long-awaited entry into the East.

Even as it looks east, the company will continue to expand vigorously in its present markets. California and Arizona can support up to 30 more units, say company executives, and even though lookalikes are proliferating, it is not likely that many of these new operators will risk going head-to-head with Price when so many other markets have yet to be tested. □

Duckwall-ALCO

New stores push up sales, profits

Same-store sales increases, coupled with volume from new stores and from acquired stores (the 48-unit Majic Mart chain) helped Duckwall-ALCO post sales of $317 million, up 46.6% from 1982. Net earnings for the fiscal year ended Jan. 31 nearly doubled, jumping from $4.3 million in 1982 to $8.6 million in '83.

The Majic Mart stores, 40 of which had the ALCO discount store merchandise mix in place as of October, accounted for $73 million in sales for the eight months they were on the books. For 1984, the chain hopes to bring the acquired stores up to the ALCO productivity level (about $2.5 million in sales per store). Duckwall-ALCO expects to ring up $400 million in sales in 1984.

With the Majic Mart acquisition, Duckwall-ALCO is now up against the formidable Wal-Mart in 40 new markets. However, the smaller ALCO stores will not be trying to compete with Wal-Mart on price. The key to making these stores profitable, says management, is in maintaining a strong in-stock position and fine-tuning the merchandise mix to the markets. ALCO store managers have more to say over merchandise than do Wal-Mart managers, analysts note.

ALCO stores will fine-tune their merchandise mix to markets.

Besides getting the new acquisitions up to snuff—the chain purchased four David's stores this February—management will concentrate on remodeling 24 of the ALCO discount stores. Two nonproductive ALCOs will be shut down and new units opened. Last year, the 125-store discount division, excluding the acquired stores, accounted for $232 million in sales. Comparable-store sales were up 10.3%.

The 34-unit variety store division, which accounted for $11 million in sales last year, is not expected to get new real estate. Comparable-store sales increased only 0.4% over 1982. Duckwall-ALCO also has one experimental off-price store, The Outfit. □

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$172,786	$4,317	106
1980	174,566	3,286	109
1981	199,103	2,776	115
1982	216,283	4,313	114
1983*	317,055	8,625	160
'79-'83 change	+83.5%	+99.8%	+54 (+50.9%)

*Fiscal year ended Jan. 31, 1984.
Source: *CSA research*

Allied

Allied profits back on track

After a five-year checkered earnings pattern, Allied Department Stores posted a 41.7% boost in earnings over 1982 figures to $128.5 million. Sales increased 14.3% to $3.676 billion in '83.

Department stores, which accounted for 82% of Allied's sales last year, were the best performers. With the exception of Joske's-Dallas, all department store divisions posted profits. Four department stores will be added this year.

Highest sales increases came from hard lines departments. Tabletop showed a 14% increase over '82, but was overshadowed by the 25% boost in decorative home furnishings and furniture/bedding sales, a 35% hike in decorative accessories and a 30% increase in consumer electronics.

Brooks Brothers, Catherine's Stout Shoppes and Ann Taylor, part of the Garfinckel, et al, acquisition in 1981, were the most profitable of the specialty store divisions last year. Twenty-three specialty stores will be opened by year end.

Department stores were the best performers for Allied in '83.

Allied is confident that '84 will be another strong year. "We would hope that Bonwit Teller and Miller & Rhoads would be in a position to contribute to profits in '84," says Orren Knauer, vp/investor relations. "We also look for further improvement in Joske's-Dallas," which may be in the black by the end of the fiscal year.

Emphasis will be on those businesses that offer the best profit margins, says president/ceo Thomas Macioce, including the One Step Up trade-up program and private label, the fastest-growing area of the company's business.

Long-term debt decreased, while short-term debt rose to $99 million from $33 million, reflecting an increase in working capital. The only major impact on profits over the next few years will come from changes in consumer spending patterns, which could slow down in '85, says Knauer. □

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$2,210,000	$ 90,135	216
1980	2,268,000	83,836	226
1981	2,732,697	88,332	512
1982	3,215,634	90,659	533
1983*	3,675,873	128,471	570
'79-'83 change	+66.3%	+42.5%	+354 +163.9%

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

Tandy Corp.

Radio Shack tunes in computer profit

Tandy Corp.'s vertical manufacturer-wholesaler-retailer integration paid off in 1983 with a 21.8% sales increase and a 24.3% gain in net income. The totals marked the 11th straight year sales for the 8,868-unit Radio Shack operator jumped by more than 10%. Last year's net income-to-sales ratio rose to 11.3%—the sixth consecutive rise since 1978, when it was 6.2%.

The best-selling product category by far was microcomputers, software and peripheral equipment, accounting for nearly 35% of worldwide warehouse shipments.

"We participate in the microcomputer industry in a unique way," says Tandy chairman/ceo John V. Roach. "It gives us not only the opportunity to monitor retail sales directly as a manufacturer, but it also gives us the opportunity to balance and promote inventories according to our needs."

Sales last year of self-manufactured products grew to 57% of total volume, compared to 43% five years ago. Computer products represented the major reason for the increase.

While computer unit sales continued to grow in 1983, selling prices were reduced in response to increased competition. In fact, the TRS-80 computer selling at $299 in Radio Shack's last catalog will be further reduced to $159 in the next. Competition has also lowered Tandy's share of the computer market from a high of 40.5% in 1979 to 8.6% last year, according to International Data Corp.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$1,215,483	$ 83,229	7,353
1980	1,384,637	112,235	7,715
1981	1,691,373	169,602	8,161
1982	2,032,555	224,085	8,518
1983*	2,475,188	278,521	8,868
'79-'83 change	+103.6%	+234.6%	+1,515 (+20.6%)

*Fiscal year ended June 30, 1983.
Source: *CSA* research

Tandy's newest venture to boost home computers and software is Tandy Home Education Systems (THES). Begun in Atlanta this April and scheduled for seven other cities, THES is a program of classes and seminars to sell parents the merits of technologically advanced educational aids.

In addition to its computer-related products, this year Radio Shack will also promote stereo video tape recorders, pocket-size televisions (dubbed Pocketvision), digital audio discs, cellular radio telephones and, if approved by the F.C.C., stereo adapters and converters for televisions. □

ware comes down, sales will step up," predicts Craig Beckwith, a spokesman for The Record Bar, a 150-unit, Durham, N.C.-based record retailer.

Already, Sears has dropped the price of its private label CD player to $389. Macy's, New York and its Bamberger's sister division have lowered the price on the low-end Technics and Sony models to $399 and $499, respectively.

The Record Bar's Beckwith claims that $300 will be "the magic price point" for the CD player. Industry insiders predict third and fourth quarter sales will take off when prices drop to near the $300 level.

Yet CBS's Shulman counters with market research showing that consumers already have an accurate idea of what CD players cost and that price is not an impediment to sales growth. He notes that CD players currently are comparable in price to VCRs, a booming product category.

What's missing, says Shulman, is aggressive merchandising by retailers. "CD players are not really merchandised properly," he says. "They need to be identified with signing and surrounded by discs."

Meanwhile, the Compact Disc Group is gearing up both consumer and retailer education programs to promote CD sales. The consumer program targets the product awareness problem, while the retailer will get suggested merchandising strategies.

"If we had this kind of support program 10 years ago," says one Compact Disc Group member, "we'd all be listening to quadraphonic today." □

Auto dealers lead car stereo sales

Rebounding new car sales in 1984 will bring more than smiles to Detroit automakers' faces. The majority of car stereos will sell this year as part of new car packages and not through retail outlets, according to Venture Development Corporation, a Wellesley, Mass., management consultant firm.

This year, 54.6% of car stereos will be sold by auto dealers as part of new vehicle installations, compared with 47% in 1981. Venture Development credits the higher quality of automaker-installed units, the increased strength of the custom car market and booming new car sales for the change. During the 1981-82 recession, the management consultant firm says, car stereo buyers retained their older vehicles longer and therefore boosted aftermarket sales.

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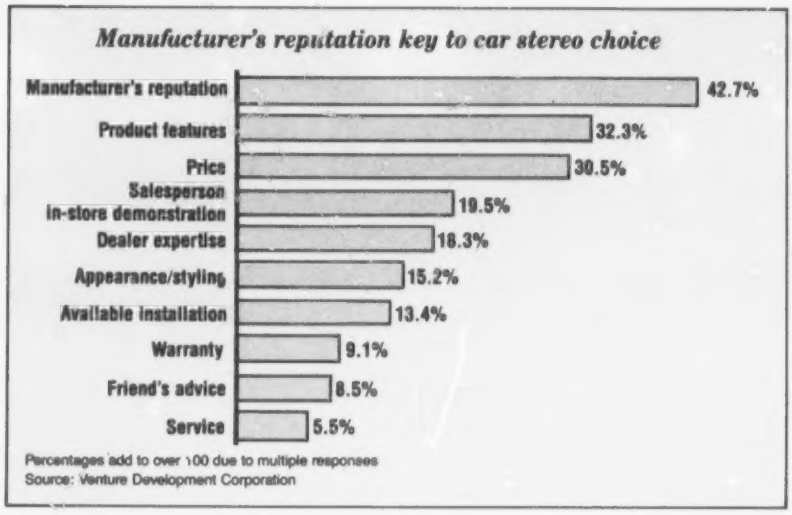

Manufacturer's reputation will be the most important factor in consumers' selection of a particular brand of car stereo, according to Venture Development. Other primary influences will be product features and price. Warranty, advice from friends and service will all play a minor role in brand selection.

In 1984, consumers will spend $1.46 billion on auto sound equipment, an increase of only 1.3% from 1983 totals of $1.44 billion, according to the Electronics Industries Association. The benchmark year for auto sound equipment was 1981.

Discounters selling rack stereo setups

Stability has not been the hallmark of consumer electronics. Last year's hot sellers often find their way into this year's bargain bins, and retailers must once again rearrange their product mix.

"I have nothing new like video games, no phones and no computers," says Richway electronics buyer Marc Valen. "What I'm looking for is something that is trending toward expanded volume and more profit." The answer for the Atlanta-based discounter is an increased emphasis on rack stereo systems.

The matched rack systems were not emphasized in the last couple of years, according to Valen, because more attention was paid to the then-booming video game business. Now that the video game action has stopped, Valen is looking to expand into less volatile stereos.

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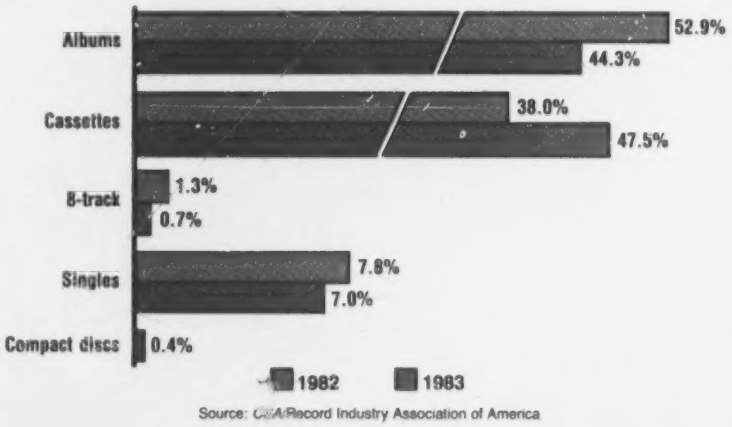
Cassettes outplay record sales

Retailers tied into standard record album bins and cassette tape lockups may soon have to change their tune. Record and tape departments will take on a new look in response to changes in consumer buying. In fact, they might better be called tape and record departments.

Last year marked the first time prerecorded cassettes outsold record albums. Cassettes captured a 47.5% market share, while albums totaled 44.3%, according to the Record Industry Association of America. Industry sources predict cassette tapes will easily jump over the 50% mark in 1984.

In response Jamesway, the Secaucus, N.J.-based discounter, has tested merchandising cassettes in displays that allow customers to handle and select tapes as freely as they now choose records. The

Albums lose market to cassettes



Source: CEA/Record Industry Association of America

successful six-store test will soon be expanded to the discounter's other 73 units, says Jamesway chairman, Herbert Fisher. "We found that the increase in sales outweighed any shrinkage," he adds.

The Record Bar, a 150-unit Durham, N.C.-based record retailer with $83 million in sales last year, attacks the change in market share from another direction. Its 2,300-sq.-ft. Colorado Springs, Co., prototype, opened in April, cross-merchandises records and tapes storewide, allowing the album's promotional artwork to sell the less flashy cassettes.

"Hundreds and thousands of dollars are spent by record companies each year to design and print album jackets that are then hidden in wooden bins," says Jack McGowan, president of The Selling Machine, the Framingham, Mass., retail design firm that created the prototype.

The prototype houses records and cassettes side by side in clear, adjustable lucite bins, allowing both visual access and easy changeover of product mix.

***Discounters have turned** to rack stereo systems as a steady growth category.*

It may be a good bet. Over 2.95 million compact and component audio systems were sold in 1983, and a rise to 3.12 million units is predicted in 1984. Industrywide gross margins range from 25%-35%, and most discounters can expect four to five turns annually, according to industry insiders.

Richways' Valen currently carries a three-tier Sounddesign rack stereo assortment promotionally priced at $199, $249 and $299. During the second half of 1984, the discounter is looking to add a $399 fourth tier with a Panasonic, JVC or Fisher system.

"I don't think we can go any higher than that," Valen says. "We can only go with a brand name. We're a self-service store, and once you get any higher, you need service and we just don't have it."

G. C. Murphy electronics buyer Frank Remalely agrees. "You won't see anything over the $499 price point. Anything that's over $500 will be in the department stores.

Sales of 3.12 million compact and component systems are expected in '84.

That's really their cup of tea."

Remalely carries a good, better, best assortment ranging from a $199 Sounddesign system to a $399 Fisher setup. The rack stereos represent 10%-15% of chainwide stereo sales, according to Remalely.

"If I advertise two or three times a year, especially in the last quarter, I get good results," Remalely says. Promotions geared to Father's Day, graduation, back-to-school and Christmas have proved most successful. □

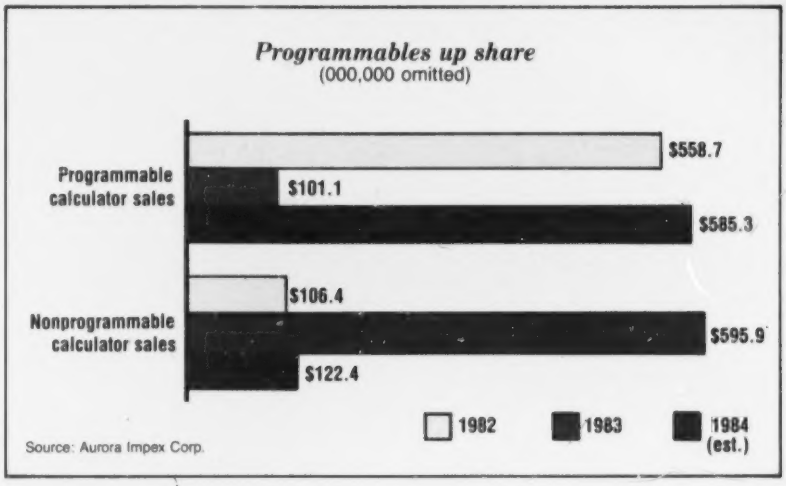
Calculators add up and divide market

Whatever became of the slide rule? The answer, of course, is that smaller, more versatile and more accurate electronic calculators swept the market in the last 10 years, eliminating the venerable wooden standby.

Now the calculator itself has matured, both in sophistication and as product category. Industry sources tagged sales of the miniature mathematical wizards at $691.5 million in 1983, a meager 4.8% gain over the year before.

Of the 29 million units shipped in 1983, hand-helds dominated the market with 86% of unit shipments, while desk-top calculators made up 14% of the total.

Sales will slow to a 3.8% dollar increase in 1984 and grow at a leisurely 3.6% annual rate through 1987, according to Mei Noguchi, executive vp, Aurora Impex, a Kenilworth, N.J.-based calculator manufacturer.



However, Noguchi predicts programmable specialty calculators, including budget planners, ultrathins, scientifics and solar calculators will show a 15% increase in 1984. Last year sales of the programmable calculators gained 5.2% over 1982.

Discounters are the largest sellers of calculators, according to *CSA* research, garnering 32% of the market in 1983, followed by the Big 3 catalog chains at 22%, catalog showrooms with 13% and department stores at 10%. □

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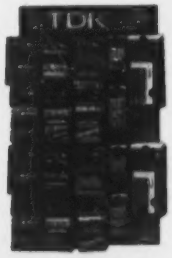

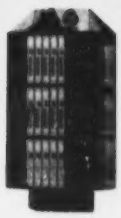

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Major chains	% change	April sales* 1984	April sales* 1983	Stores 1984	Stores 1983	3-mo. sales 1984	3-mo. sales 1983	% change
Sears[1,5]	+ 9.8	1,959,102	1,784,635	885	897	5,742,509	5,375,235	+ 6.8
Penney	+27.6	865,000	678,000	2,015	2,044	2,[illegible],000	2,118,000	+17.1
Ward[1]	+12.3	460,058	409,713	367	381	1,361,533	1,197,239	+13.7
Federated[2]	+17.9	564,400	478,900	424	390	1,672,700	1,496,500	+11.8
Dayton Hudson	+19.5	509,670	426,342	1,092	1,027	1,573,430	1,332,104	+18.1
May Dept. Stores	+27.2	341,300	268,300	1,625	1,491	963,300	842,600	+14.3
R. H. Macy	+23.2	288,600	234,200	93	92	908,900	780,500	+16.5
Allied Stores	+17.5	283,700	241,500	577	544	841,400	761,500	+10.5
Carter Hawley Hale	+21.5	293,500	241,500	1,094	1,008	871,100	723,200	+20.5
Associated Dry Goods	+32.3	284,500	215,000	323	249	813,000	660,100	+23.2
Mercantile	+ 8.9	128,328	117,870	78	85	346,825	317,601	+ 9.2
K mart	+ 9.6	1,525,790	1,391,742	2,161	2,128	4,177,572	3,934,619	+ 6.2
Woolworth	+16.0	442,747	381,674	N/A	N/A	1,209,716	1,129,060	+ 7.1
Wal-Mart	+43.3	467,000	326,000	664	563	1,233,000	855,000	+44.2
Household Merch.[3,3]	+ 5.6	400,891	379,738	3,764	3,894	1,276,791	1,252,405	+ 2.0
T.G. & Y.	+ 2.1	154,672	157,996	784	888	464,243	446,446	+ 4.0
Zayre[4]	+30.6	227,968	174,615	777	658	622,637	518,819	+20.0
Bradlees	+44.1	93,100	64,600	129	108	261,600	193,600	+35.1
Murphy	+14.6	71,594	62,489	400	417	198,047	188,595	+ 5.0
Rose's	+30.0	73,551	56,514	191	237	188,023	157,192	+19.6
Heck's	+18.2	30,600	25,900	122	119	98,300	93,000	+ 5.7
Jamesway	+26.8	34,366	27,093	78	74	86,062	75,725	+13.7
Melville	+40.6	350,739	249,416	5,756	5,525	957,097	806,149	+18.7
Tandy	+ 0.7	198,204	196,773	N/A	N/A	631,410	585,848	+ 7.8
Edison Bros.	+15.7	95,655	82,660	2,175	2,169	240,577	215,881	+11.4
The Gap	+18.6	33,800	28,500	560	556	98,000	87,700	+11.7
Totals & Averages	+17.3	10,024,163	8,543,674	—	—	28,853,529	25,698,172	+12.3

*000 omitted. N/A = not available.
[1]Store number for full-line outlets only. [2]Includes 2,771 franchise stores (vs. 2,832 a year ago). [3]Includes T.G. & Y. and Vons sales. [4]Includes 276 Zayre stores (vs. 265 a year ago), 374 Hit or Miss stores (vs. 300) and 127 T. J. Maxx stores (vs. 93). [5]Excludes supermarket sales. [6]Includes results from Simpson-Sears.

April brings back double-digit gains

An April Easter brought back double-digit gains and delivered a 17.3% sales increase for the 25 chains tracked by *Chain Store Age*. Overall totals for the first quarter of the current fiscal year now stand 12.3% over 1983.

However, Easter 1984 didn't quite pack the wallop it did last year. The March holiday in 1983 rang up sales of $10.2 billion, while 1984's April celebration posted sales of $10 billion, a 2% decrease. Still, combined March/April totals in 1984 increased 10.2% above the same two-month period the year before, but slowed from February's 16% pace.

J. C. Penney led the Big 3 catalog chains, posting a 27.6% monthly gain. Montgomery Ward sales increased 12.3% for the month, with comparable stores up 14.5%. Crosstown rival Sears marked a 9.8% monthly gain, yet year-to-date figures lag behind with a three-month increase of 6.8%.

Associated Dry Goods continued to lead the department stores, showing a 32.3% jump for April and a 23.2% gain for the first quarter. Led by same-store increases of 63% for its shoe stores and 25.4% for its Venture discount operation, May Department Stores posted a 27.2% April gain.

Among the discounters, Bentonville, Ark.-based Wal-Mart once again led the pack with a 43.3% monthly increase. Store-for-store gains in the first quarter now stand at 19%, with an overall hike of 44.2% over the first three months of 1983. K mart, the nation's second largest retailer, winds up the first quarter showing only a 6.2% sales gain and a disappointing 4.5% comparable store increase.

GARFIELD and COMPANY

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GARFIELD is the fastest growing comics feature in the history of syndication. The feisty feline appears in more than 1,600 newspapers worldwide—and the list is still growing.

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Marketpower: Top 20 departments
Ward's new looks in home and auto

Chain Store Age

GENERAL MERCHANDIS[illegible]M

July 1984

WHAT'S ALL THE JAZZ ABOUT NEW ORLEANS?

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BETHESDA MD 20814

TWO DOLLARS PER ISSUE

IN THIS ISSUE

Ward goes all the way home

A face-lift in home furnishings is the first step in a major thrust by Montgomery Ward to set aside its stodgy image and go after the younger more affluent customer ... 17

GMM's: a select group

A *Chain Store Age* survey shows gmm's to be among the highest paid merchandising executives—with a distinct penchant for challenge and responsibility 20

Industry responsiveness rated

Consumers cite toy departments as having made the greatest gains in response to their needs over the past decade. However food continues to be strongest 39

Industry News

Ward rolls out a new auto look 19
What's all the jazz about New Orleans? 34
Touche Ross: the coming revolution in retail 90

Marketpower

Top 20 departments: home products pace sales gains 41
Accessories: belts unbuckle accessories biz 42
Automotives: DIY down, dress-up up 44
Hardware/home: hardware out of the doldrums 47
Domestics: flannels heat up sheets business 49
Footwear: sales solidify in jellies 50
Computers: shakeout starts but sales soar 52
Stationery: food chains eat up market share 55
Children's wear: best gains for infants-toddlers 57
Health & beauty aids: gmer's gain in OTC drugs 58
Sewing: sewers stitch up stagnant sales 60
Women's wear: flashdance in '83, MTV in '84 63
Hosiery: sheers run hosiery sales up 65
Sporting goods: exercise gear sales stay fit 70
Consumer electronics: electronics hit record mark 73
Toys: traditional toys stage comeback 75
Photo/camera: auto focus cameras spark photo 76
Men's wear: basics steady, sports active 78
Hobby/crafts: yarns untangle craft sales 80
Nonelectric housewares: cookware ignites sales gains 83
Electric housewares: category stagnant despite sales gains 85
Lawn and garden: barbecues cook up hot sales 86

Classified Mart

..... 96

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GMMs: Well-paid, optimistic, overworked

The typical general merchandise manager is a well-educated, highly paid individual who enjoys the responsibilities and challenges of his position. That same person, however, often dislikes his rigorous work schedule, occasionally wonders how much his company cares for him as an individual and frequently is not satisfied with the way his store employees carry out the programs he helps design.

These are just some of the characteristics and attitudes typical of the nation's highest level merchandising executives, according to a recent *Chain Store Age* survey. The study, which garnered 120 usable responses from general and divisional merchandise managers at the nation's leading chains, provides an intriguing series of insights into the way these individuals see themselves, their jobs, the people who work for them and the companies they serve.

Few things put a merchandising executive on the defensive like an outsider's criticism of store employees, especially if that criticism comes from a vendor complaining about the execution of in-store promotional programs. Privately, however, many gmms grumble that their own best laid plans often go awry in the hands of field personnel, the *CSA* study illustrates.

More than 4 out of 10 respondents to the study agreed at least somewhat with the statement, "We lay out good programs at headquarters yet they never get implemented at store level." That startling indictment of store personnel was reinforced in another section of the study, where only 4% of the merchandising executives rated their store personnel excellent.

Merchandising executives for the Big 3 are best paid, earning an average of $99,000 per year.

Discount store executives were the harshest on store employees. Nearly 3 out of 10 judged these employees no better than fair in the performance of their duties. Clearly the discontent with store personnel runs through the merchandising side of this retailing tier. In a previous *CSA* study (January 1984), exactly the same number of discount store buyers, 29%, voted their chain's field force only fair in carrying out merchandising programs.

Gmms are notably more positive about the capabilities of their buying staffs, perhaps because it is they who supervise buyers. Only 8% of those surveyed rate their buying staff fair, while 55% judged buyers who worked for them either excellent or very good. Not one merchandising executive pinned the label poor on his buyers.

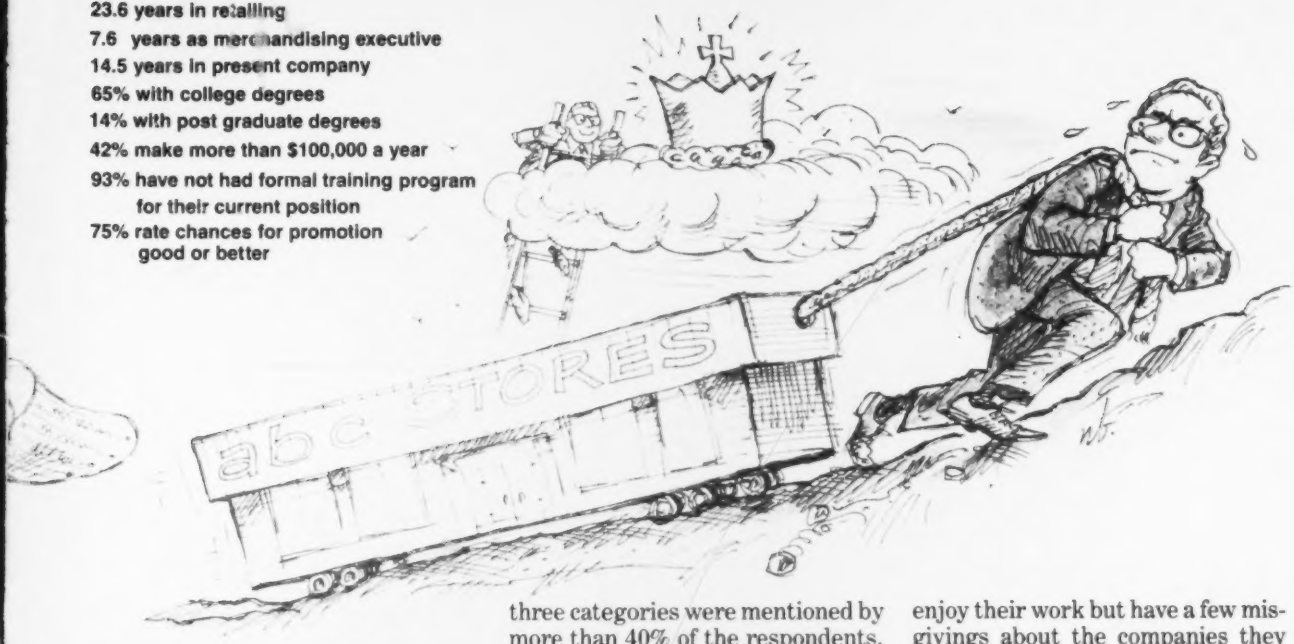
Training problems: At least some of the dissatisfaction merchandising executives feel toward store employees and, to a lesser degree, buyers, must be laid at the feet of their companies. Few gmms feel their chains have strong training programs. A disturbingly high number, 45%, rated such programs no better than fair.

The retailing tier which provides the best overall training, judging by responses from merchandising executives, is department stores. More than 7 out of 10 department store executives rated their company's programs either good or very good. A distant second was the Big 3, which garnered positive ratings on training from 56% of their mer-

Section written by Steven Malanga

Profile of a merchandising executive

46.6 years old
23.6 years in retailing
7.6 years as merchandising executive
14.5 years in present company
65% with college degrees
14% with post graduate degrees
42% make more than $100,000 a year
93% have not had formal training program for their current position
75% rate chances for promotion good or better



chandising executives. Discount and specialty stores executives, on the other hand, were extremely harsh on company training programs. More than 60% of the discounters rated such programs fair or poor, while 67% of specialty gmms were equally as critical of their companies' training programs.

Few chains had training programs tailored specifically to gmms, and this may be the source of some discontent exhibited by respondents. Apparently many merchandising executives still feel the need for on-going training, especially in skills which are useful in managing people. For instance, 35% of those surveyed wished they received better training in communications. More than 3 out of 10 also wanted help in learning how to motivate and train workers.

Nearly 4 out of 10 hard lines gmms wanted more training in financial skills, while only 16% of soft lines executives saw a need for more training in this area. On the other hand, 17% of soft lines gmms mentioned advertising as an area where they'd like to receive more training, compared to just 4% of hard lines executives.

Merchandising executives feel an even greater need for better training programs for their buyers. Where? In computer systems, negotiating skills and planning. All three categories were mentioned by more than 40% of the respondents.

Buyers, on the other hand, do not believe they are quite so inadequate in these skills. In the previous *CSA* study, only 4.1% of buyers said they needed more training in computer systems, while just 7.9% wanted more help in learning how to be a better planner.

Confident group: On the whole, general merchandise managers are a confident group of retailers who enjoy their work but have a few misgivings about the companies they serve. When asked to list some favorite aspects of their position, 81% said they enjoyed the challenges and 63% liked the responsibilities. More than 6 out of 10 also ranked merchandising as one of their favorite activities, but only 10% said that dealing with vendors was an enjoyable part of their job.

What is most notable about the responses to this particular ques-

GMMs rate responsibilities

	Department store	Specialty store	Discount store	Big 3	Average
Planning	83%	83%	79%	87%	82%
Maximizing gross margins	57	61	55	57	58
Sales volume increases	54	72	42	35	50
Inventory control	46	44	39	30	40
Maximizing gross margin dollars	51	22	42	35	39
Training buyers	31	28	37	57	38
Maximizing sales	34	17	29	30	28

Source: *Chain Store Age* research

GMMs express their attitudes on . . .*

Statement	Department store	Discount store	Specialty store	Big 3	All GMMs
We lay out good programs at HQ but they never get implemented at store level	2.97	2.63	2.65	2.70	2.79
Buyers have more autonomy today than in previous years	2.57	3.21	3.06	3.43	3.03
Buyers cannot add a new line without their supervisors' approval	2.97	3.08	2.67	3.87	3.18
Retailing is a business where you have to change companies to get ahead	2.66	2.79	2.33	2.61	2.64

**Based on a scale of 1 to 5, with 1 being "strongly agree" and 5 being "strongly disagree."*

Source: *Chain Store Age* research

Just how powerful are buyers?

It's heard all over the marketplace: "Buyers today don't have the same power as in days past. To get anything approved a merchandise manager must be in on the decision."

How much truth is there to this statement? It depends on who provides the commentary, buyers or their bosses.

In separate surveys, buyers and gmms provided almost the same positive responses to the statement, "Buyers have more autonomy today than in previous years." Forty-six per cent of buyers and 43% of gmms at least somewhat agreed.

However, while just 21% of the buyers at least somewhat disagreed, nearly half, 45%, of the gmms voiced disagreement.

Moreover, on the question of the freedom to add lines without needing a supervisor's approval, buyers were much more positive about their power than were their bosses.

Among buyers, 63% said they had the freedom to add lines, but that was supported by just 37% of the gmms. Indeed, 51% of the gmms at least somewhat disagreed (22% of the buyers held similar views).

The differences were most pronounced for department and discount store retailers. For both groups, only 40% of the gmms agreed that buyers have freedom, vs. 74% of department store buyers and 65% of their discount store counterparts.

Perhaps one reason buyers and their supervisors don't see eye to eye is that they have different interpretations of the most important aspects of a buyer's job. Buyers thought their five most important responsibilities were setting proper assortments/selection (59%), maximizing gross margins (59%), sales volume increases (44%), maximizing turns (41%) and negotiating the best deal (40%).

Gmms ranked the buyer's responsibilities this way: setting proper assortment/selection (60%), insuring an in-stock position (55%), negotiating the best deal (53%), sales volume increases (43%) and planning (43%). □

tion is the amount of agreement among merchandising executives from various trade classes. Almost 8 out of 10 gmms, from every retail tier included in the survey, said they enjoy the challenge that their position offers. The merchandising executives expressed similar uniformity in choosing responsibility as a favorite aspect of their position.

On the other hand, when it came to describing those things they like least about their jobs, the merchandising executives could come to no consensus. No particular characteristic was mentioned by more than 40% of the respondents. Nearly 4 out of 10, however, did say they disliked the work schedule they were forced to maintain.

Some level of discontent was also evidenced by the fact that 2 out of 10 respondents rated their companies no better than fair in their concern for employees as individuals. In an earlier *CSA* study of store managers (April 1983), 26% of those surveyed said one of the things they disliked most was this same lack of concern for employees as individuals. Apparently, some small but solid degree of anxiety about how companies treat employees runs throughout various management levels of retailing.

One subject which brought very little unfavorable reaction from merchandising executives was compensation. Only 11% listed salary as one of the least favorite aspects of their jobs. That compares with 52.2% of buyers who ranked salary high on the "least favored" list. It's clear why gmms don't complain about the money they make. Half of them earn more than $100,000 a year, while only 15% of those responding to the survey earned less than $50,000 a year. The mean salary of the survey's participants was $84,600 a year. That compares with the $37,200 that buyers take home on the average every year.

Merchandising executives for the Big 3 are best paid, earning an average of $99,000 per year. Department store executives are close behind with an average annual salary of $97,000.

Strategic planners: Earning that kind of money, merchandising executives clearly see themselves as strategists who are paid for their

Big 3 executives highest paid

Salary	Department store	Discount store	Specialty store	Big 3	All GMMs
Under $30,000	—	3.0%	11.0%	—	3.0%
$30,000-$35,000	—	—	6.0	—	2.0
$36,000-$40,000	3.0	—	6.0	—	2.0
$41,000-$45,000	—	11.0	—	—	3.0
$46,000-$50,000	3.0	8.0	6.0	—	5.0
$51,000-$55,000	3.0	11.0	6.0	—	6.0
$56,000-$60,000	3.0	3.0	11.0	—	3.0
$61,000-$65,000	—	11.0	—	4.0	4.0
$66,000-$70,000	3.0	5.0	6.0	—	3.0
$71,000-$80,000	3.0	8.0	6.0	17.0	6.0
$81,000-$90,000	6.0	8.0	6.0	4.0	6.0
$91,000-$100,000	6.0	8.0	6.0	4.0	5.0
Over $100,000	42.0	60.0	—	33.0	61.0
No answer	11.0	8.0	6.0	4.0	9.0
Mean	97.2	73.1	72.4	99.2	84.6

Source: *Chain Store Age* research

GMM: Jack of all trades

When Marcia Blizniak entered retailing 18 years ago there were plenty of women buyers in the field but few female merchandising executives.

"Women have always had a good 'feel' for buying soft goods, but they rarely made it into management in those days," she says.

Today, Blizniak is a senior vice president and one of three general merchandise managers, all women, for the marketing division of Associated Dry Goods. Clearly, attitudes toward women in management have changed, if not throughout retailing then at least in certain companies. What hasn't changed, says Blizniak, is the need for a successful merchandising executive, whether man or woman, to have that proper "feel" for buying, that instinctive sense of what will move through one's stores.

"When you look at a line with many different styles, you have to be able to run through the line quickly and sense what will work. You can't analyze every piece in the line," she says.

To nurture the instincts of the buyers she now supervises, Blizniak asks them to get out often into stores—not just other department stores, but also the small specialty shops sprinkled throughout New York. She encourages buyers to read *The New York Times*, visit art exhibitions and otherwise keep abreast of what's happening beyond the immediate world of fashion.

***Blizniak encourages buyers** to be aware of the outside world.*

Retailing has grown so complex since Blizniak emerged from college that merchandising executives must complement their creative instincts with a solid grounding in analytic skills. ADG offers its merchandising personnel rigorous classes designed to help them comprehend the numbers side of retailing better.

"It's no longer just a question of going into the market and saying, 'Well, this is pretty, so I'll buy it for our stores.' You have to understand a chain's entire business," says Blizniak, who now teaches some of the courses on financial skills at ADG.

The increasing complexity of retailing has also made Blizniak look for more trainees who already have store experience.

In order to be a buyer, you have to understand all aspects of retailing, and working in a store can help you do that," she says.

Blizniak oversees a staff of about 40, including five divisional merchandise managers and 25 buyers, so she believes that a good gmm should be able to effectively manage both time and people.

"I have to prioritize my time. If there's a problem in one area, I'll work on that. If it's a 'market week,' I'll go over new lines with buyers. I also try to see each of our major vendors at least once a quarter," she says.

Among her most important duties are developing long-range strategies for the areas she supervises—ready to wear, accessories and shoes—and ensuring that these categories all speak with the same fashion voice in ADG stores.

Spreading herself so thin, Blizniak says that she's become a "jack of all trades, master of none. I rely on my individual merchandise managers to take care of a lot of the details for me." □

planning abilities and the experience they bring to their jobs. In fact, when asked what they consider to be their chief responsibilities, 83% chose planning, 58% chose maximizing gross margins, and 50% selected generating sales increases.

Most merchandising executives are seasoned veterans of retailing. The average survey respondent has been in the business 24 years and has served 7.6 years in his current position. The longest average tenure in retailing belongs to variety store executives. They've served an average of nearly 30 years, while specialty store gmms have served the least time, only slightly more

GMMs rate their chains on . . .*

	Department store	Discount store	Specialty store	Big 3	All GMMs
Recognizing performers within organization	3.83	3.37	3.56	3.78	3.60
Training programs	3.09	2.30	2.11	2.83	2.59
Opportunity for promotions and salary increases	3.56	3.32	3.00	3.26	3.31
Treatment of you as a professional GMM	3.97	3.68	3.83	3.74	3.81
Capability of store level staff	3.17	2.95	3.33	3.27	3.14
Capability of buying staff	3.56	3.66	3.61	3.91	3.65
Capability of advertising/store promotion staff	3.29	3.38	3.06	3.36	3.26
Encouragement by your supervisor to speak your mind	3.69	3.92	4.00	3.70	3.80

**Ratings based on a scale of 1 to 5, with 1 being poor and 5 excellent.*

Source: *Chain Store Age* research

Powell Grows With K mart

In a business where one of every three merchandising executives believes it is necessary to change companies to get ahead, Bill Powell has labored 35 years for one retailer—K mart—and his tenure there has been anything but uneventful.

Powell joined K mart during its heyday as a variety store retailer and was on-hand for the inception of the K mart discount store. He helped open up California for the company and served in key regional positions in the West during K mart's years of rapid expansion out there.

He came to headquarters as director of store planning in the late 1970's, when K mart was opening about 150 stores a year, and has served as a divisional merchandise manager for the past four and a half years—a period during which K mart has radically reshaped its merchandise mix and presentations.

Powell has clearly been part of some of the most dramatic changes in retailing over the last three and a half decades, but in his unassuming way he describes his career as "ordinary."

There is nothing ordinary, however, about a 30-year-old store manager for a predominantly Midwestern retailer pulling up stakes and journeying some 2,500 miles to help break new ground for his company. When Powell arrived in California he found that the vaunted Kresge name was not well known there.

And the timely and efficient distribution of merchandise to stores, something Powell took for granted in his Ohio Kresge, was still a thing of the future.

"It took us awhile to be accepted out there. We had to open a few stores first," says Powell.

By the time Powell was ready to head back East and join the corporate staff in 1976, he had opened three K mart's in California and served as a district manager and a merchandise manager for the West, which has grown into one of K mart's largest and most productive regions.

***Powell joined K mart** 35 years ago and still feels the challenge.*

"I learned a lot from opening those stores. Maybe the most important thing I discovered is the value of training people well and then working hard to keep them with you," Powell says.

Working in the field for more than 20 years has made Powell intensely aware of the need for strong communication between headquarters and store and department managers. He has labored during his tenure as a divisional merchandise manager, first in electronics and now in home improvement and hardware, to improve the flow of information between his staff and K mart's field force.

One of his major projects has been a series of seminars for field personnel on innovations in K mart's home care department. Powell has established a permanent exhibition space for vendors in a facility in Royal Oaks, Mich. There he brings K mart store and department managers to hear presentations from buyers and vendors about new products and changes in the department.

As an old field man himself, Powell can't stay out of stores.

"There's no substitute for being in a store. It's the only way to keep up to date," Powell says.

He likes eying the competition because he knows he'll either find it's not as good as K mart, in which case he'll feel satisfied, or that it is very good, in which case he'll feel challenged.

Although he acknowledges there are many different roads a retailer may take to become a merchandising executive, he is entirely comfortable with the path he has tread.

"There's not a lot I would do differently if I had the chance," Powell says. "The most important thing, no matter what job you're in, is to keep up to date. □

than 21 years.

Surprisingly, despite this short tenure, the specialty store people have been in their current jobs the longest, nearly nine years, or almost half of the time they've spent in retailing. Merchandising executives for the Sears, Penney, Ward group have held their jobs as gmms the shortest period, just 6.74 years, or about one-fourth of the total time they've spent in retailing.

After all of this time on the job, merchandising executives still get out to visit the competition's stores more than 18 times a year, on the average, while they make special trips to see nonheadquarters stores operated by their own chains about 17 times a year. Managers for the Big 3 seem most preoccupied with what the competition is doing. They shop competitors' stores twice as often as they see their own.

Overall, soft lines merchandising executives visited competitors' stores about four times more a year